

BRED
BANK

CAMBODIA

**The smarter
way to bank.**

2022 | ANNUAL REPORT



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Message from our CEO

Economic outlook

Economic growth over the last 35 years in Cambodia has averaged 6.7% per year with 2020 being the only negative financial year following the COVID-19 pandemic. These are impressive statistics and, even in the current challenging global circumstances, the Cambodian economy has shown great resilience with a faster recovery on average by 2021 than in other regions of the world. According to the International Monetary Fund, Cambodia's economy grew +3% in 2021 and +5% in 2022.

The construction sector, which is a major driver of growth, was well positioned in 2022. While the tourism sector did not return to pre-COVID levels, it did rebound to some extent with over 2.3 million visitors in 2022. Despite these positives, growth in agriculture slowed in 2022 due to higher fuel and other farm inputs and growth in garment exports slowed due to weak external demand in Europe and the United States.

As in most countries around the world, the level of inflation was high in 2022, averaging 5.3% according to the IMF. However, inflationary pressure seems to have slightly declined at the beginning of 2023. The forecasts made by the IMF for the next three years are 5.8% for 2023, 6.2% in 2024 and 6.4% in 2025, suggesting a positive rebound for the zone despite a gloomy global context.

Cambodia's exit from the Financial Action Task Force (FATF/GAFI) grey list on 23 February 2023 demonstrates the efforts and results achieved by the nation's authorities in the fight against money laundering and terrorism. This is also a very positive signal for foreign investors. This exit from the grey list was the culmination of a lengthy audit process which was concluded with in an on-site visit in January 2023 that had been delayed by the pandemic. As early as October 2022, the FATF had publicly considered that Cambodia had made satisfactory progress on its action plan. Despite a significant increase in refinancing costs resulting from a rise in US Federal



Mr. Nicolas Christian Romain Hollanders
Chief Executive Officer of BRED Bank (Cambodia) Plc.

Reserve interest rates, the local banking sector still managed to show positive increases with a +18% jump in loan portfolios and a +7% rise in deposits in 2022. At the same time, the National Bank of Cambodia maintained the reserve ratio at 7% for 2022.

BRED Bank Cambodia in 2022

2022 saw change as well as continuing progress at BRED Bank Cambodia. As the bank pushed ahead with its Target 2025 growth plan, there was also a corporate reshuffle as I took up the role of Chief Executive while my predecessor, Guillaume Perdon, who had led the bank since its launch, returned to an international role with BRED in Paris. Mr. Perdon's highly successful tenure left us in a great position with a strong plan to accelerate growth over a three year period, opening new branches, extending the bank's product range and recruiting more customers and staff. In September 2021, our parent company, BRED Group showed its commitment to the Kingdom by sanctioning a Tier 1 capital increase of USD35m with an additional increase of USD35m programmed for April 2023.

We're building on a strong base, with close to 12,000 clients including 800 businesses with a positive increase of 35% compared to 2021. Income from our retail segment is also an increasingly significant part of the bank's activities with an overall 34% share. Despite the challenging times, and a Non-Performing Loan (NPL) rate at 6.8%, our loan portfolio is secure. The increase in our NPL rate is directly related to cases that were part of our COVID-19 recovery package and all of these are very much under control.

Overall, BRED Bank Cambodia showed faster growth than the market: +39% for loans and +21% for deposits. We also broke even for the second time since our launch in 2017 with a positive net profit of USD1.6m in Certified International Financial Reporting Standards (CIFRS).

Other significant developments during the year included the launch of three new branches in Phnom Penh carrying our network to 14 branches (including three in the provinces), the continuation of our ambitious development on premium banking following the creation of a dedicated team and the launch of BRED Bank's KHQR solution in Q4. We also reorganised our executive team, welcoming new colleagues to the bank, improving day-to-day oversight and operational management.

Our focus throughout the year has, as ever, been driven by innovation and quality. We remain committed to the highest standards of customer service and value delivery. These are key differentiators for BRED Bank Cambodia in this market and our vision of banking is based on a long-term, win-win relationship between customers and the bank where trust is essential. Indeed, the trust of our customers, regulators, communities and staff is paramount.



Nicolas Christian Romain Hollanders
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

22 June 2023



We follow the Banking Without Distance approach of our BRED Group which promises our customers a global model of proximity through a targeted physical network supported by exceptional digital solutions. This relationship model is built on being able to offer appropriate and tailored solutions on a long-term basis to meet all the requirements of our customers, whatever they need at every phase of their personal or business lives. It's a model that our customers appreciate, and it is supported at the heart of our development strategy by a continuing and sustainable programme of investment.

Closing

As 2022's business concludes, we are confident about the year ahead despite the rate increase challenges. The bank's executive team is working hard to deliver all of our strategic plan. In 2023, we're going to launch two new strategic products which will enable us to accelerate growth. These plans are already underway with the enthusiastic support of the exceptional staff in our back, middle and front-offices.

Importantly, we're building on a strong financial base with the backing of one of the world's largest international banking groups. BRED Group's unwavering commitment to Cambodia is a strong asset to face any future global economic challenges that may arise.

Perhaps most importantly, we continue to grow with the support of our constantly increasing customer base. We will continue to bring them the best technology and the best advice to help them build their future. We are eternally grateful to them for working with us.



About BRED Bank (Cambodia) Plc.

The Bank

BRED Bank (Cambodia) Plc. ("the Bank") is 100% owned by BRED Banque Populaire ("BRED"), a French regional cooperative bank incorporated under the laws of France. The Bank was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016. The Bank obtained its license to conduct banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the 2 March 2017.

The Bank's registered office is located at 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia. The Bank had 379 employees as at 31 December 2022 (2021: 310 employees).

The Group

BRED is a member of the Banque Populaire group of cooperative banks. It consists of 200,000 cooperative members, owns €6.2 billion of equity capital and employs 6,300 employees, 30% of whom are located outside France or in the French overseas territories. Its core business is commercial banking in France

through its regional operations in Greater Paris, in Normandy, in Seine-et-Marne/Aisne and in the French overseas departments, as well as through its commercial banking subsidiaries in Southeast Asia, the South Pacific, the Horn of Africa and Switzerland. A local bank committed to its communities, its network consists of 406 branches, including 49 outside France. It maintains long-term relationships with 1.3 million clients.

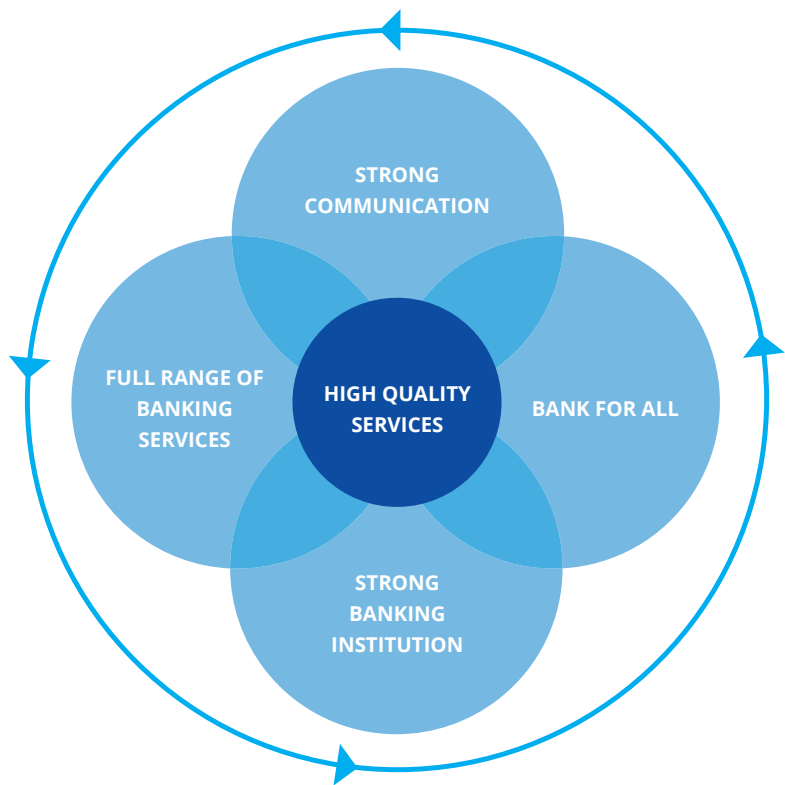
BRED Banque Populaire, a member of the BPCE Group, is engaged in a range of diversified businesses – retail banking, corporate and institutional banking, private banking, asset management, securities trading, an insurance company and international trade.

In 2022, BRED recorded consolidated Net Banking Income (NBI) of €1,637 million (+12.4%). It recorded a record level of net profit of €507.4 million, an increase of 23%.

BPCE Group is the second largest banking group in France, serving 35 million customers, employing more than 100,000 people worldwide, and counting 9 million cooperative shareholders. BPCE Group has an A/A+ rating and is one of the banks with the highest international standards.

Our strategy

Our strategy is to be a leading bank in the next 10 years by providing a high quality banking experience to our customers with a full range of banking services for all, following the international standards.

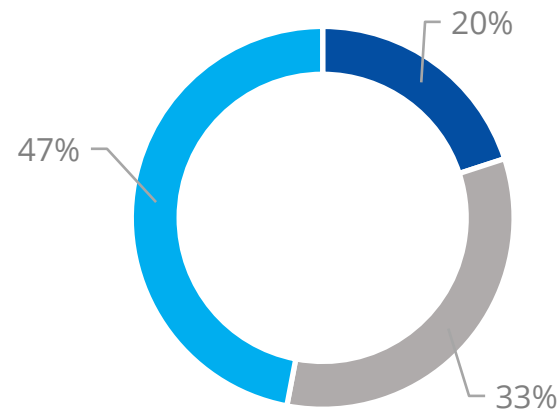


Our commitment to the highest quality services	
Streamlined processes	<ul style="list-style-type: none">• Be fast in making decisions• Continuously innovate our processes• Move toward digitalisation (online, remote channel,...)
Customer relationship	<ul style="list-style-type: none">• Commit ourselves to transparency• Ensure fair pricing• Hold on mechanism for resolution• Provide best banking experience and appoint a dedicated point of contact for each customer• Promote employees' ethical behaviors
Branch network	<ul style="list-style-type: none">• Develop sufficient physical branch network• Set up queuing management/express lanes• Extend operational hours• Locate our branches in convenient and accessible areas• Dedicated areas (VIP, Business, Private banking)
Remote access	<ul style="list-style-type: none">• Respond quickly to customers through hotline, call centre or chat• Live information through website, Facebook and SMS• Provide intuitive customer experience on online banking and mobile App• Innovate new products such as mobile wallet and agent banking

Financial highlights

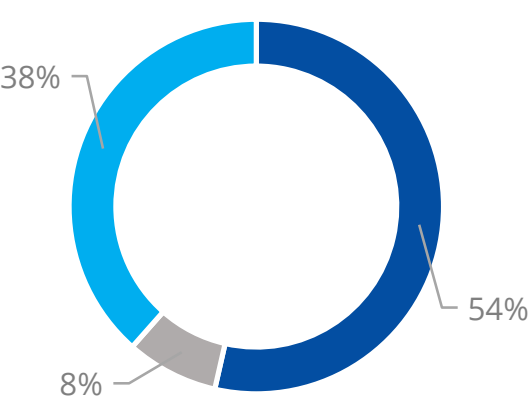
	2022 US\$	2021 US\$	2020 US\$	2019 US\$
Balance Sheet				
Deposits from customers	279,328,342	255,350,246	230,127,647	195,779,640
Loans and advances - net	536,235,448	385,323,227	288,232,795	220,740,598
Equity	97,852,369	96,124,704	60,246,411	63,032,964
Total assets	702,117,935	531,128,995	414,004,902	322,787,907
Income statement				
Net interest income	18,904,370	15,352,746	12,143,785	7,579,707
Net fee & commission	502,972	385,813	415,383	421,163
General information				
Branch	14	10	9	7
Staff	379	282	240	193
ATMs	79	62	48	42
Depositors	12,032	8,926	7,128	5,289
Borrowers	1,941	1,553	1,223	886
Number of issued cards	8,796	7,239	6,465	5,130

Gross deposits in USD		
Corporate	20%	81,588,297
Other Financial Institutions	33%	136,098,008
Individual	47%	197,740,045
Total	100%	415,426,350



- Corporate
- Other financial institutions
- Individual

Gross loans in USD		
Corporate	54%	290,912,084
Other Financial Institutions	8%	43,256,155
Individual	38%	208,940,458
Total	100%	543,108,698



- Corporate
- Other financial institutions
- Individual

Achievements in 2017



Licenses

The Bank was incorporated in Cambodia on 1 April 2016 and obtained banking license from the National Bank of Cambodia on 10 January 2017 with the commencement of operations on the same date.



ATM

The Bank is fast and efficient to deliver easy access to customers. By end of 2017, 9 ATMs were installed and located both on and off sites in Phnom Penh, and are operating 24 hours a day and 7 days a week.



Internet Banking

We introduced Internet Banking in July 2017 helping our customers to access their accounts any time and perform various banking transactions after office hours. It is secure, simple and easy to operate.



VISA Debit

In September 2017, we launched Visa Debit. To enhance security in transactions through Visa card, 3D Secure was added into the feature of Visa. With BRED Bank Platinum Visa Debit card customers have access to many promotions with commercial partners.



Mobile App

We launched Mobile Apps (App Store and Google Play) in November 2017. Customers can access internet banking through mobile when needed. The Mobile Apps provide all the range of services available on the Bank's Internet Banking.

Achievements in 2018



Branches

- Tuol Kouk Branch Grand Opening in September 2018
- Siem Reap Branch Grand Opening in October 2018
- Mao Tse Toung Branch Grand Opening in November 2018



Mastercard Acquisition

In December 2018, we launched MasterCard Acquisition allowing MasterCard cardholders to withdraw cash from our ATMs.



Extra Cash

In order to facilitate cash withdrawals by international travelers coming to Cambodia, BRED Bank Cambodia provided a new service called Extra Cash from September 2018. This allowed travelers to withdraw additional money in need after exceeding the withdrawal amount allowed by the ATM. This service was made available at all BRED Bank Cambodia branches.



Women initiative

In 2018, BRED Bank Cambodia decided to initiate a women-dedicated programme, with the ambition of becoming "The Bank of Choice for Women" in Cambodia and to better serve the women of this country, especially women entrepreneurs.

As BRED Bank Cambodia has grown, we have recognised that women may have specific requirements and that their bank needs to adapt by developing new products and services that are tailored to their needs. In 2018, along with the International Finance Corporation (IFC), BRED Bank undertook an extensive survey with more than 150 Cambodian business women to understand their needs and challenges.

BRED Bank's Women Initiative is addressing their main concerns in various ways, mainly through the development for Non-Financial Services, specifically designed to take into account women's needs.



Achievements in 2019



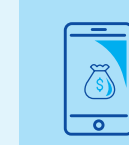
Branches

- Battambang Branch Grand Opening in February 2019
- Cham Chao Branch Grand Opening in August 2019
- Olympic Branch: soft opening in December 2019



POS

POS Available for **VISA** and **Mastercard** transactions.



Mobile app enhancement

- Fingerprint features
- New currencies available for transfers
- Khmer language available
- Schedule future dated and recurring transfer



Shine Initiative Learning Academy Training

Learning Academy

As part of our new program at the Women Initiative Learning Academy, the first training sessions on Active Listening were held on Saturday, May 25th at BRED Bank Headquarters. This training aimed to help businesswomen leaders learn how to motivate, influence, persuade and engage with their employees by actively listening to them.

It was a great success for the Bank. 24 women leaders from different companies were delighted to attend, to share their feedback and to await further training.

Breakfast Talk

The first talk falls under the “**Shine Initiative**” program and had a topic of “**Understanding and overcoming your fear of public speaking**”. The Shine Initiative, based on extensive research with Cambodia businesswomen, has been developed to empower, inform and inspire all Cambodian entrepreneurs to help build better businesses.



Internet Banking enhancements

- The available balance is now automatically updated after a transfer or a transaction
- When a customer sends us an email through our Internet Banking, it is directly forwarded to their RM
- It's possible to have several levels of validation for the needs of corporates
- A new unauthorised account is no longer displayed



Extra cash (update)

Extra cash service available for Mastercards

Achievements in 2020



Retail products and services

Daily Banking

- Packages of current accounts, Visa debit, saving products
- Mobile and e-banking

Lending

- 8 new partnerships with high-end borey and condo developers
- Car dealer partnership: Hyundai



Business products and services

Daily Banking

- Business packages
- Cash management products
- Tax payment

Merchant Banking

- POS: Visa & MasterCard acquiring
- Apple | Samsung | Google Pay acquiring

Digital

- Internet banking
- Digital payroll

Lending

- Working capital
- Asset financing, equipment financing
- Trade finance



Organisation

- Specialized RM by segments: tellers and Call Center to serve non CMP
- Sales KPIs and Incentive plan to boost productivity

- Segregated and centralised back office operations
- Dedicated Credit Analysts per customer segments



Develop a multi-channel distribution network

Branches & ATM

- 9 Branches in PP, SR, BTB + 50 ATMs
- 8am-8pm 7/7 in HQ
- Queuing management system in HQ

Mobile & Online

- 130 POS
- Retail mobile and e-banking
- Corporate m- and e-banking (basic)

Call Centre

Call Centre with basic functions and standard operating hours

Achievements in 2021



Products and services

Retail

- Packages reshape (Platinum)
- M-banking reshape
- BBC QR Code
- Bill Payment

Business

- QR Code payment
- Payment gateway
- Upgrade POS touch screen
- Pension schemes
- Escrow account & security agent services



Distribution Channels

- 2 new branches
- Priority lounges

- Business counters in HQ
- Call center expansion function



Moving the bank forward with new branding

To attract the kind of customers that will make us successful in the future, we need to be very clear on what makes BRED Bank Cambodia different from other banks here and show potential customers why they should bank with us. So we moved to a fresh positioning that better reflects our ambitions for the future and the needs of our customers.



Major Challenge: COVID-19

Health

- Hygiene/health recommendation
- Provision of disposable gloves, masks, and sanitisers
- Temperature check at the entrance of each branch
- Implementation of enhanced cleaning schedule
- Quarantine after trips/sick leave

- **Social Distancing Implementation:** relocation in other Branches, home working, video meetings only...

Client Support

- **Prefer Remote Solutions:** promotions on online local transactions, remote transactions facilitations...
- **Lending Relief Plan:** up to 6 months capital & interest deferment for all business & individuals, on all products

Continuity

- **HQ Teams are split** between TK Branch and HQ

Achievements in 2022



Develop a multi-channel distribution network

Branches & ATM

- Four new branches, 13 more ATMs
- Priority Lounge in selected branches
- Extended opening hours in selected branches

Mobile & Online

- Enhanced retail e-banking platform
- New e-banking platform for Corporate/SME

Call Centre

Advanced Call Centre with extending operating hours.



Organisation

- Improve account opening process
- Accurate sizing of customer portfolio per RM level



Business products and services

Daily Banking

- FX Dealing Room
- Package evolution
- Security agent service

Merchant Banking

- KHQR Code payment
- Bill payment



Retail products and services

Daily Banking

- Reshape packages to better match market
- FX Dealing Room
- Adding KHR notes to ATM in addition to USD
- New Premium banking services

Digital

- Bill Payment in m-banking
- KHQR Code Payment
- Bakong Project

2023 Development



Products and services

Daily Banking

- Loyalty program
- New bill payments in m-banking
- CSS Project

Digital

- Credit Card
- Partnership expansion to schools, hospitals, general appliances resellers



Business products and services

Daily Banking

- New FX Dealing Room services
- Pension schemes for staff
- Escrow Service, Cash Collection
- CSS project

Merchant Banking

- Merchant portal
- Touch screen POS

Lending

- Syndications
- More expertise on trade finance

Digital

- E-payment portal
- Upgrade of corporate e-banking



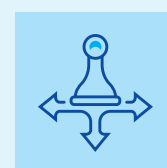
Develop a multi-channel distribution network

Branches & ATM

- Further development of branches and ATMs
- Lounge enhancement in branches

Mobile & Online

- Further POS deployment
- New e-banking functionalities
- Leverage on digital: client onboarding, loan applications etc



Organisation

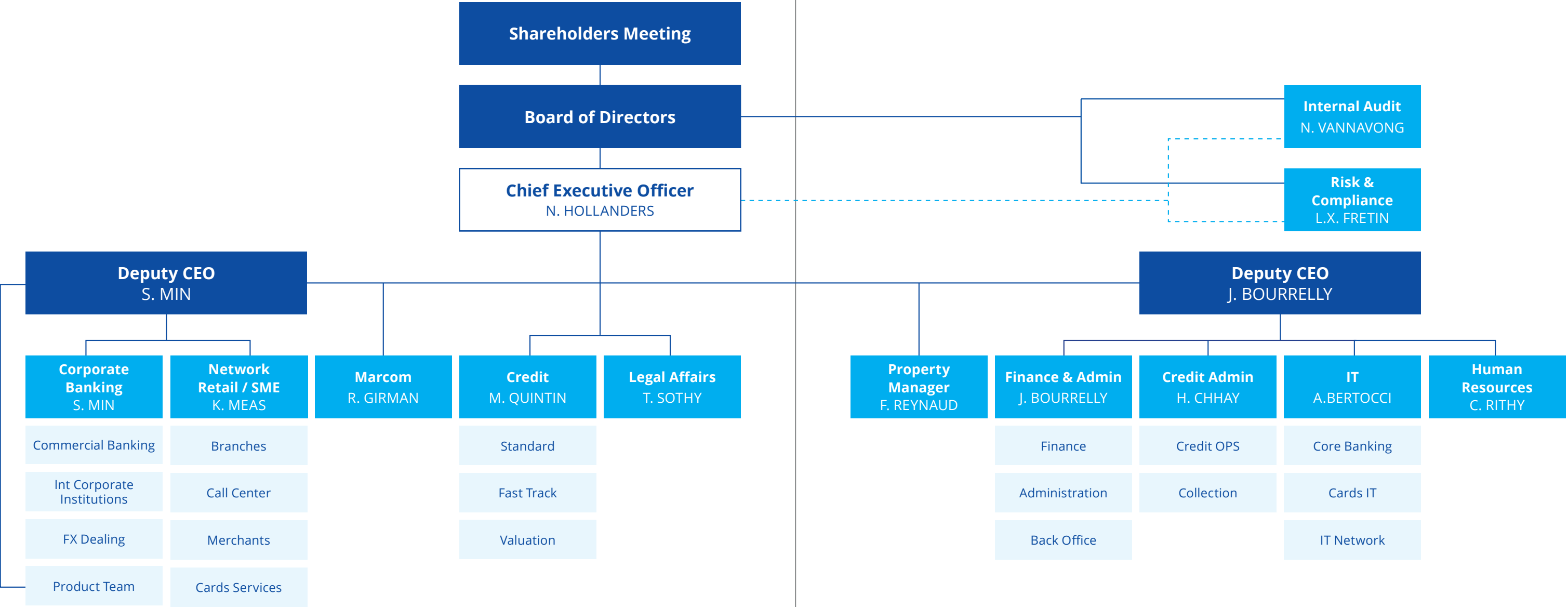
- Loan origination workflow system
- Improved credit scoring
- Branch portal: 360° customer view, CRM

Organisational Chart

December 2022

In September 2022, BRED Bank Cambodia said farewell to Chief Executive Officer, Guillaume Perdon who had successfully led the bank since its launch in 2016. As Mr. Perdon returned to a new role with BRED Group in Paris, he was replaced by Mr. Nicolas Hollanders, who had chaired BRED Bank Cambodia’s Board of Directors since 2021.

At the same time, the role of Deputy Chief Executive Officer was split into two positions, reflecting the expanding range of duties required. We welcomed Mr. Jean Bourrelly to the team in the position of Deputy Chief Executive Officer alongside Mr. Sopha Min who has been with the bank since its launch. Further leadership changes in Marcoms, IT, Internal Audit and Risk & Compliance were also made during the reorganisation in September 2022.



Corporate governance

I. The Board of Directors

The roles and responsibilities of the Board of Directors are set out in the Memorandum and Articles of Associations and broadly defined as follows:

- The Board is responsible for determining the strategy of the Bank and for supervising the conduct of its business and affairs. The Board shall act in the best interest of the Bank;
- Appoint and remove officers and/or managers for the day-to-day management of the Bank and determine the specific powers for such officers and/or managers;
- Set the salaries and other compensation for officers and/or managers of the Banks;
- Propose the salary or other compensation for all directors and submit such proposal to the shareholders for approval;
- Issue notes, bonds, debentures and other forms of debt and the terms of such instruments;
- Propose to the shareholders amendments to the MAA;
- Propose to the shareholders the increase or decrease of the capital;
- Propose to the shareholders an agreement of merger or consolidation between the Bank and any other person;
- Propose to the shareholders the sale of all or a major part of the Bank's assets;
- Propose to the shareholders the dissolution or liquidation of the Bank;
- Declare dividends in accordance with accounting principles and the terms of payment of each class of shares; entitled to receive dividends;
- Issue shares in the Bank to the extent permitted under the MAA and in accordance with the laws of Cambodia;
- Borrow money on behalf of the Bank;
- Issue, reissue or sell securities in the Bank;
- Give a guarantee on behalf of the Bank;
- Mortgage, hypothecate, pledge or otherwise create a security interest in any or all property of the Bank to secure; any obligation of the Bank; and
- Prepare financial statements each fiscal year (defined below) for submission to the shareholders for approval.

The member of the Board of Directors during the financial year and at the date of this report are:

Mr. Nicolas Christian Romain Hollanders	Chairman (term ended on 13 September 2022)
Mr. Guillaume Claude Perdon	Chairman (appointed on 14 September 2022)
Mr. Baltasar Jean Gonzalez Collado	Director
Mr. Olivier Jean Klein	Director
Mr. Bernard Marie Albert Ramanantsoa	Independent Director
Mr. Guillaume Jean Marie Henri Massin	Independent Director
Mr. Philippe de Fontaine Vive Curtaz	Independent Director (appointed on 7 December 2022)

II. Audit Committee

The roles and responsibilities of the Audit Committee is to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices and internal controls, and that the outside auditors, through their own review, objectively assess the Company's financial reporting practices.



The Audit Committee during the financial year and at the date of this report are:

Mr. Bernard, Marie, Albert Ramanantsoa	Chairman
Mr. Baltasar Gonzalez Collado	Member
Mr. Nicolas Christian Romain Hollanders	Member (term ended on 13 September 2022)
Mr. Guillaume Claude Perdon	Member (appointed on 14 September 2022)

III. Risk Management Committee

The roles and responsibilities of Risk Management Committee is to oversee policies and set risk management activities and provide communication to the Board.

The Risk Management Committee during the financial year and at the date of this report are:

Mr. Philippe de Fontaine Vive Curtaz	Chairman and independent director
Mr. Bernard Marie Albert Ramanantsoa	Member and independent director
Mr. Baltasar Jean Gonzalez Collado	Member
Mr. Nicolas Christian Romain Hollanders	Member (term ended on 13 September 2022)
Mr. Guillaume Claude Perdon	Member (appointed on 14 September 2022)



BRED BANK (CAMBODIA) PLC.

Financial Statements
for the year ended 31 December 2022
and
Report of the Independent Auditors



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Corporate information

Bank	BRED Bank (Cambodia) Plc.	
Registration No.	00002982	
Registered office	No. 30 Norodom Boulevard Sangkat Phsar Thmey 3 Khan Daun Penh, Phnom Penh Kingdom of Cambodia	
Shareholder	BRED Banque Populaire ("BRED")	
Board of Directors	Nicolas Christian Romain Hollanders Guillaume Claude Perdon Baltasar Jean Gonzalez Collado Olivier Jean Klein Bernard Marie Albert Ramanantsoa Guillaume Jean Marie Henri Massin Philippe de Fontaine Vive Curtaz	Chairman (term ended on 13 September 2022) Chairman (appointed on 14 September 2022) Director Director Independent Director Independent Director Independent Director (appointed on 7 December 2022)
Management team	Nicolas Christian Romain Hollanders Guillaume Claude Perdon Sopha Min Jean Bourrelly Anne-Laure Seidou Louis-Xavier Fretin Guillaume David Deude Marion Quintin Chhay Huoy Kunthea Meas Laurent Ayoun Nicolas Vannavong Tolasatia Sothy Chantana Rithy	Chief Executive Officer (appointed on 14 September 2022) Chief Executive Officer (term ended on 13 September 2022) Deputy Chief Executive Officer Deputy Chief Executive Officer (appointed on 14 September 2022) Chief Finance Officer (term ended on 13 September 2022) Chief Risk & Compliance Officer (appointed on 1 September 2022) Chief Risk & Compliance Officer (term ended on 31 August 2022) Head of Credit Head of Credit Administration (term ended on 07 March 2023) Head of Network Head of Information Technology (term ended on 23 September 2022) Head of Internal Audit Head of Legal Head of Human Resource
Auditors	KPMG Cambodia Ltd	



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Report of the Directors

The Directors have pleasure in submitting their report together with the audited financial statements of BRED Bank (Cambodia) Plc. ("the Bank") for the year ended 31 December 2022.

Principal activities

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia.

There were no significant changes to these principal activities during the financial year.

Financial results

The financial results of the Bank for the year ended 31 December 2022 were as follows:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Profit before income tax	1,931,414	554,121	7,893,689	2,254,164
Income tax (expense)/benefit	(203,749)	324,172	(832,722)	1,318,732
Net profit for the year	<u>1,727,665</u>	<u>878,293</u>	<u>7,060,967</u>	<u>3,572,896</u>

Dividends

No dividend was declared or paid and the Directors does not recommend any dividend to be paid for the financial year under review.

Share capital

The share capital of the Bank as at 31 December 2022 is US\$110,000,000 (31 December 2021: US\$110,000,000).

On 2 February 2023, the Bank requested to the National Bank of Cambodia ("NBC") to increase the share capital from US\$110,000,000 to US\$145,000,000. On 29 March 2023, the Bank obtained approval from the NBC on this increase in share capital.

As of the date of this report, the amendment to the Memorandum and Articles of Association (M&AA) is still in process with the Ministry of Commerce.



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Reserves and provisions

There were no other movements to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

Loans and advances

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of any bad loans and advances and the making of allowance for doubtful loans and advances, and satisfied themselves that all known bad loans and advances had been written off and adequate allowance had been made for doubtful loans and advances.

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad loans and advances, or the amount of allowance for doubtful loans and advances in the financial statements of the Bank, inadequate to any material extent.

Assets

Before the financial statements of the Bank were prepared, the Directors took reasonable steps to ensure that any assets, other than loans and advances, which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Bank had been written down to an amount which they might be expected to realise.

At the date of this report, the management is not aware of any circumstances, which would render the values attributed to the assets in the financial statements of the Bank misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

Contingent and other liabilities (continued)

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Bank, which would render any amount stated in the financial statements misleading.

Items of unusual nature

The results of the operations of the Bank for the financial year were not, in the opinion of the Management, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Bank for the current period in which this report is made.

The Directors

The Directors who served during the year and at the date of this report are:

Nicolas Christian Romain Hollanders	Chairman (term ended on 13 September 2022)
Guillaume Claude Perdon	Chairman (appointed on 14 September 2022)
Baltasar Jean Gonzalez Collado	Director
Olivier Jean Klein	Director
Bernard Marie Albert Ramanantsoa	Independent Director
Guillaume Jean Marie Henri Massin	Independent Director
Philippe de Fontaine Vive Curtaz	Independent Director (appointed on 7 December 2022)

Directors' interests

None of the Directors held or dealt directly in the shares of the Bank during the financial year.

Directors' benefits

During and at the end of the financial year, no arrangements existed to which the Bank is a party with the objective of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.



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Directors' benefits (continued)

During the year, no Director of the Bank has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Bank or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements as set out on pages 9 to 121 present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Directors are required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Bank's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- (iv) assess the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so; and
- (v) control and direct effectively the Bank in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We, hereby approve the accompanying financial statements together with the notes thereto which, in our opinion, present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with CIFRSs.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors,

Nicolas Christian Romain Hollanders
Chief Executive Officer



Phnom Penh, Kingdom of Cambodia

28 April 2023



KPMG Cambodia Ltd
GIA Tower, Sopheak Mongkul Street,
Phum 14 Sangkat Tonle Bassac,
Khan Chamkar Mon Phnom Penh, Cambodia
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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Report of the Independent Auditors

To the shareholder of BRED Bank (Cambodia) Plc.

Opinion

We have audited the financial statements of BRED Bank (Cambodia) Plc., ("the Bank"), which comprise the statement of financial position as of 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (hereafter referred to as "the financial statements") as set out on pages 9 to 121.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Report of the Directors on pages 1 to 5, and the annual report, which is expected to be made available to us after the date of auditors' report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Statement of financial position as at 31 December 2022

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For KPMG Cambodia Ltd


Guek Teav
Partner



Phnom Penh, Kingdom of Cambodia

28 April 2023

	Note	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
ASSETS					
Cash on hand	6	22,606,828	21,708,930	93,072,311	88,442,181
Balance with the National Bank of Cambodia	7	103,321,927	77,825,171	425,376,373	317,059,747
Balance with other banks and financial institutions	8	17,640,738	28,576,816	72,626,919	116,421,948
Financial assets at FVOCI	9	140,000	140,000	576,380	570,360
Loans and advances to other banks and financial institutions	10	42,885,602	28,605,352	176,560,024	116,538,204
Loans and advances to customers	11	493,349,846	356,717,875	2,031,121,316	1,453,268,623
Derivatives held for risk management	12	1,725,238	364,500	7,102,805	1,484,973
Other assets	13	1,309,060	1,221,684	5,389,400	4,977,141
Intangible assets	14	2,913,882	1,713,292	11,996,452	6,979,952
Property and equipment	15	6,399,259	4,817,041	26,345,749	19,624,625
Right-of-use assets	16	8,213,029	7,622,059	33,813,040	31,052,268
Deferred tax assets – net	23 (A)	1,612,526	1,816,275	6,638,770	7,399,504
Total assets		702,117,935	531,128,995	2,890,619,539	2,163,819,526
LIABILITIES AND SHAREHOLDER'S EQUITY					
Liabilities					
Deposits from customers	17	279,328,342	225,061,522	1,149,994,784	916,900,641
Deposits from other banks and financial institutions	18	136,098,008	111,182,884	560,315,499	452,959,069
Borrowings	19	169,812,012	85,916,978	699,116,053	350,025,768
Derivatives held for risk management	12	2,083,612	744,471	8,578,231	3,032,975
Lease liabilities	20	8,593,073	7,617,795	35,377,682	31,034,897
Other liabilities	21	7,066,842	2,812,370	29,094,189	11,457,595
Provision for impairment of off-balance sheet items	38(B)(v)	1,199,978	1,582,260	4,940,310	6,446,128
Employee benefit obligations	22	48,652	61,000	200,300	248,514
Current income tax liability	23(B)	35,047	25,011	144,288	101,895
Total liabilities		604,265,566	435,004,291	2,487,761,336	1,772,207,482

		31 December		31 December	
	Note	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Shareholder's equity					
Share capital	24	110,000,000	110,000,000	442,870,000	442,870,000
Reserves	25	9,986,437	-	40,814,568	-
Accumulated losses		(22,134,068)	(13,875,296)	(89,919,022)	(56,165,421)
Currency translation reserves		-	-	9,092,657	4,907,465
Total shareholder's equity		97,852,369	96,124,704	402,858,203	391,612,044
Total liabilities and shareholder's equity		702,117,935	531,128,995	2,890,619,539	2,163,819,526

The accompanying notes form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Note	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Operating income					
Interest income	26	34,361,457	25,403,581	140,435,275	103,341,768
Interest expense	27	(15,457,087)	(10,050,835)	(63,173,115)	(40,886,797)
Net interest income		18,904,370	15,352,746	77,262,160	62,454,971
Fee and commission income	28	2,078,257	1,646,408	8,493,836	6,697,587
Fee and commission expense	28	(1,575,285)	(1,260,595)	(6,438,190)	(5,128,100)
Net fee and commission income		502,972	385,813	2,055,646	1,569,487
Other income	29	337,846	429,570	1,380,777	1,747,491
Net losses from other financial instruments at FVTPL	30	(292,752)	(379,971)	(1,196,477)	(1,545,722)
Total operating profit		19,452,436	15,788,158	79,502,106	64,226,227
Personnel expenses	31	(7,102,161)	(5,482,854)	(29,026,532)	(22,304,250)
Other operating expenses	32	(10,772,026)	(8,704,085)	(44,025,270)	(35,408,218)
Minimum tax expense	23(C)	(367,491)	(269,567)	(1,501,936)	(1,096,599)
Total operating expenses		(18,241,678)	(14,456,506)	(74,553,738)	(58,809,067)
Operating profit before impairment		1,210,758	1,331,652	4,948,368	5,417,160
Reversal of/(additions to) impairment losses on financial instruments	36	720,656	(777,531)	2,945,321	(3,162,996)
Profit before income tax		1,931,414	554,121	7,893,689	2,254,164
Income tax (expense)/benefit	23(C)	(203,749)	324,172	(832,722)	1,318,732
Net profit for the year		1,727,665	878,293	7,060,967	3,572,896
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Cash flow hedges-effective of change in fair value		(65,622)	-	(268,197)	-
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	-	4,185,192	1,472,416
		(65,622)	-	3,916,995	1,472,416
Total comprehensive income for the year		1,662,043	878,293	10,977,962	5,045,312

**Statement of changes in equity
for the year ended 31 December 2022**

	Share capital		Reserves		Accumulated losses		Currency translation reserves		Total	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
At 1 January 2021	75,000,000	300,000,000	-	-	(14,753,589)	(59,738,317)	-	3,435,049	60,246,411	243,696,732
Transaction with shareholders										
Additional share capital contribution	35,000,000	142,870,000	-	-	-	-	-	-	35,000,000	142,870,000
Total Comprehensive income										
Net profit for the year	-	-	-	-	878,293	3,572,896	-	-	878,293	3,572,896
Currency translation differences	-	-	-	-	-	-	-	1,472,416	-	1,472,416
At 31 December 2021	110,000,000	442,870,000	-	-	(13,875,296)	(56,165,421)	-	4,907,465	96,124,704	391,612,044
At 1 January 2022	110,000,000	442,870,000	-	-	(13,875,296)	(56,165,421)	-	4,907,465	96,124,704	391,612,044
Transaction recognised directly in equity										
Transfer from retained earnings to regulatory reserve (Note 25)	-	-	9,920,815	40,546,371	(9,920,815)	(40,546,371)	-	-	-	-
Total Comprehensive income										
Net profit for the year	-	-	-	-	1,727,665	7,060,967	-	-	1,727,665	7,060,967
Other comprehensive income										
Hedging reserve-	-	-	-	-	-	-	-	-	-	-
Cash flow hedges – effective portion	-	-	-	-	-	-	-	-	-	-
changes in fair value	-	-	65,622	268,197	(65,622)	(268,197)	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	4,185,192	-	4,185,192
At 31 December 2022	110,000,000	442,870,000	9,986,437	40,814,568	(22,134,068)	(89,919,022)	-	9,092,657	97,852,369	402,858,203

The accompanying notes form an integral part of these financial statements.



**Statement of cash flows
for the year ended 31 December 2022**

	Note	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Cash flows from operating activities					
Net profit for the year		1,727,665	878,293	7,060,967	3,572,896
<i>Adjustment for:</i>					
Depreciation and amortisation	32	2,689,393	2,592,440	10,991,549	10,546,047
Interest income	26	(34,361,457)	(25,403,581)	(140,435,275)	(103,341,768)
Interest expense	27	15,457,087	10,050,835	63,173,115	40,886,797
Minimum tax expense	23(C)	367,491	269,567	1,501,936	1,096,599
Income tax expense/(benefit)	23(C)	203,749	(324,172)	832,722	(1,318,732)
(Reversal of)/addition to impairment loss on financial instruments	36	(720,656)	777,531	(2,945,321)	3,162,996
Net losses in derivatives held for risk management		292,752	379,971	1,196,477	1,545,722
Provision for employee benefits, net		(12,348)	18,190	(50,466)	73,997
Gain on disposal of property and equipment		-	(3,714)	-	(15,109)
Write off of intangible assets	14	172,342	-	704,362	-
		(14,183,982)	(10,764,640)	(57,969,934)	(43,790,555)
<i>Changes in:</i>					
Balance with National Bank of Cambodia		(4,321,636)	(11,988,069)	(17,662,526)	(48,767,465)
Loans and advances to other banks and financial institutions		(14,181,516)	(8,388,461)	(57,959,856)	(34,124,259)
Loans and advances to customers		(133,397,594)	(90,939,077)	(545,195,967)	(369,940,165)
Other assets		(87,376)	409,545	(357,106)	1,666,029
Deposits from customers		56,518,978	32,351,978	230,993,063	131,607,847
Deposits from other banks and financial institutions		25,918,111	44,524,677	105,927,320	181,126,386
Other liabilities		3,918,589	2,045,490	16,015,273	8,321,053
Cash used in operations		(79,816,426)	(42,748,557)	(326,209,733)	(173,901,129)
Interest received		31,065,946	27,229,459	126,966,521	110,769,439
Interest paid for lease liabilities		(233,109)	(276,730)	(952,716)	(1,125,738)
Interest paid		(18,495,502)	(7,712,829)	(75,591,117)	(31,375,788)
Income tax/minimum tax paid	23(B)	(357,455)	(264,647)	(1,460,919)	(1,076,584)
Net cash used in operating activities		(67,836,546)	(23,773,304)	(277,247,964)	(96,709,800)

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Notes to the financial statements for the year ended 31 December 2022

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

BRED Bank (Cambodia) Plc. ("the Bank") was incorporated in Cambodia under registration number 00002982 issued by the Ministry of Commerce on 1 April 2016.

The Bank obtained its license to conduct its banking operations from the National Bank of Cambodia ("NBC") on 10 January 2017 and commenced operations on the same date.

The registered office is located at No. 30 Norodom Boulevard, Sangkat Phsar Thmey 3, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

The immediate and ultimate parent bank is BRED Banque Populaire, a Bank incorporated in France.

The Bank is principally engaged in all aspects of banking business and the provision of related financial services in the Kingdom of Cambodia.

As at 31 December 2022, the Bank had 374 employees (2021: 282 employees).

2. Statement of compliance

The financial statements of the Bank have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

Details of the Bank's significant accounting policies are included in Note 40.

The financial statements were authorised for issue by the Board of Directors on 28 April 2023.

3. Functional and presentation currency

The Bank transacts its business and maintains its accounting records in United States Dollars ("US\$"). Management has determined the US\$ to be the Bank's functional currency as it reflects the economic substance of the underlying events and circumstances of the Bank.

These financial statements are presented in US\$, which is the Bank's functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

	Note	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Cash flows from investing activities					
Capital guarantee		-	(3,500,000)	-	(14,238,000)
Fixed deposits		5,000,000	-	20,435,000	-
Purchase of property and equipment and intangible assets	14,15	(4,303,725)	(2,390,470)	(17,589,324)	(9,724,432)
Proceed from sale of property and equipment		-	25,000	-	101,700
Net cash generated from/ (used in) investing activities		696,275	(5,865,470)	2,845,676	(23,860,732)
Cash flows from financing activities					
Proceeds from borrowings	19	328,110,811	101,846,498	1,340,988,885	414,311,554
Injection of share capital		-	35,000,000	-	142,380,000
Repayment of borrowings	19	(244,199,398)	(102,629,263)	(998,042,940)	(417,495,842)
Payment of lease liabilities	20	(934,976)	(940,052)	(3,821,247)	(3,824,132)
Net cash generated from financing activities		82,976,437	33,277,183	339,124,698	135,371,580
Net increase in cash and cash equivalents		15,836,166	3,638,409	64,722,410	14,801,048
Cash and cash equivalents at beginning of the year		71,937,866	68,299,457	293,074,866	276,271,304
Currency translation differences		-	-	3,568,414	2,002,514
Cash and cash equivalents at end of the year	35	87,774,032	71,937,866	361,365,690	293,074,866

The accompanying notes form an integral part of these financial statements.

4. Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 40C(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 40C(vii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 40C(vi): determination of the fair value of financial instruments with significant unobservable inputs.
- Note 40C(vii): impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 40C(vii): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollar which is the Bank's functional currency. The translations of United States Dollars amount into Khmer Riel ("KHR") meets the presentation requirements pursuant to Law on Accounting and Auditing and has been done in compliance with *CIAS 21-The Effects of Changes in Foreign Exchange Rates*.

Assets and liabilities are translated at the closing rate as at the reporting date and equity accounts are translated at the historical rate. The statements of profit or loss and other comprehensive income and cash flows are translated into KHR at the average rate for the year, which have been deemed to approximate the exchange rates at the date of transaction as exchange rates have not fluctuated significantly during the period. Exchange differences arising from the translation are recognised as "Currency Translation Reserves" in the other comprehensive income.

5. Translation of United States Dollars into Khmer Riel (continued)

The Bank uses the following exchange rates:

Financial year end		Closing rate	Average rate
31 December 2022	US\$1 =	KHR4,117	KHR4,087
31 December 2021	US\$1 =	KHR4,074	KHR4,068

These convenience translations should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riels at this or any other rate of exchange.

6. Cash on hand

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Cash on hand	13,935,803	15,463,733	57,373,701	62,999,248
Cash in ATM	8,671,025	6,245,197	35,698,610	25,442,933
	<u>22,606,828</u>	<u>21,708,930</u>	<u>93,072,311</u>	<u>88,442,181</u>

7. Balance with the National Bank of Cambodia

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Current accounts	42,682,556	21,302,837	175,724,083	86,787,758
Negotiable certificates of deposits ("NCD") (A)	14,361,066	20,908,142	59,124,509	85,179,771
Statutory capital deposits (B)	11,036,240	11,000,012	45,436,200	44,814,049
Reserves requirements on customers' deposits (C)	35,242,065	24,614,180	145,091,581	100,278,169
	<u>103,321,927</u>	<u>77,825,171</u>	<u>425,376,373</u>	<u>317,059,747</u>

7. Balance with the National Bank of Cambodia (continued)

A. Negotiable certificates of deposits

The Bank has pledged negotiable certificates of deposits (NCD) sum of US\$1,548,475 (31 December 2021: US\$14,712,649) with the NBC as collateral for Liquidity Providing Collateralised Operation (LPCO). As at 31 December 2022, the Bank had not yet utilised the overdraft on settlement clearing facility yet.

Negotiable certificates of deposits are maturing from 6 to 12 months and earned interest at rates ranging from 0.08% - 2.98% (2021: 0.04% - 0.27%) per annum.

B. Statutory capital deposits

Under the NBC's Prakas No. B7-01-136 dated 15 October 2001, the Bank is required to maintain a statutory deposit at 10% of its registered capital. This deposit is not available for use in the Bank's day-to-day operations and is refundable should the Bank voluntarily cease its operations in Cambodia.

C. Reserve requirements on customers' deposits

The reserve requirement represents the minimum reserve which is calculated at 8% for KHR and 12.50% for other currencies of the total amount of deposits from customers, non-residential banks and financial institution deposits, and non-residential borrowings. Pursuant to the National Bank of Cambodia's Prakas No. B7-018-282 on the maintenance of reserve requirement against commercial banks' deposits and borrowings, reserve requirements both in KHR and in other currencies bear no interest effective from 29 August 2018.

On 18 March 2020, the NBC announced the reduction of the Reserve Requirements Rate ("RRR") to 7% for both local and foreign currencies deposits and borrowings.

Subsequently, on 9 January 2023, the NBC announced the increase of the Reserve Requirements Rate ("RRR") to 9% and 12.5% for foreign currencies deposits and borrowings, which is effective from 1 January 2023 to 31 December 2023, and from 1 January 2024 onward, respectively. However, the Reserve Requirement Rate for local currency deposits and borrowings still maintain the same at 7%.

7. Balance with the National Bank of Cambodia (continued)

D. By interest rate (per annum):

Annual interest rates applicable to balances with the National Bank of Cambodia at the year end were as follows:

	31 December 2022	31 December 2021
Current accounts	Nil	Nil
Negotiable certificates of deposits ("NCD")	0.80% - 2.98%	0.04% - 0.27%
Statutory capital deposit	0.65%	0.04%
Reserves requirements on customers' deposits	Nil	Nil

8. Balance with other banks and financial institutions

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Balance with other banks and financial institutions at amortised cost	17,777,199	28,926,099	73,188,729	117,844,927
Less: Impairment loss allowance	(136,461)	(349,283)	(561,810)	(1,422,979)
	<u>17,640,738</u>	<u>28,576,816</u>	<u>72,626,919</u>	<u>116,421,948</u>

The movements of allowance for impairment losses on balance with other banks and financial institutions were as follows:

	2022	2021	2022	2021
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
At 1 January	349,283	245,079	1,422,979	991,345
(Reversal of) additions to allowance for the year (Note 36)	(212,822)	104,204	(869,804)	423,902
Currency translation differences	-	-	8,635	7,732
At 31 December	<u>136,461</u>	<u>349,283</u>	<u>561,810</u>	<u>1,422,979</u>

8. Balance with other banks and financial institutions (continued)

Balance with other banks and financial institutions are analysed as follows:

A. By account types:

	31 December 2022			
	Gross carrying amount US\$	ECL allowance US\$	Net carrying amount US\$ KHR'000 (Note 5)	
Current accounts	12,768,404	(98,061)	12,670,343	52,163,802
Fixed deposits	5,008,795	(38,400)	4,970,395	20,463,117
	<u>17,777,199</u>	<u>(136,461)</u>	<u>17,640,738</u>	<u>72,626,919</u>

	31 December 2021			
	Gross carrying amount US\$	ECL allowance US\$	Net carrying amount US\$ KHR'000 (Note 5)	
Current accounts	28,926,099	(349,283)	28,576,816	116,421,948

B. By interest rate (per annum):

Annual interest rates applicable to balances with the other banks and financial institutions at the year end were as follows:

	31 December 2022	31 December 2021
Current accounts	0.50% - 2.60%	0.50% - 0.05%
Fixed deposits	<u>0.20%</u>	<u>0.00%</u>

9. Financial assets at FVOCI

	31 December 2022		31 December 2021	
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Investment in Credit Bureau Cambodia	<u>140,000</u>	<u>140,000</u>	<u>576,380</u>	<u>570,360</u>

The Bank designated the investment in Credit Bureau Cambodia ("CBC") to be measured at fair value through other comprehensive income ("FVOCI") as it is not held for trading and the Bank has irrevocably elected at initial recognition to classify this investment as the financial assets at FVOCI. This is a strategic investment and the Bank considers this classification to be more relevant.

Dividend during the year was US\$19,556 (2021: US\$6,480). There is no gain/loss recognised in other comprehensive income due to fair value approximate the carrying amount. There is no loss allowance for this FVOCI as at 31 December 2022 (2021: Nil).

10. Loans and advances to other banks and financial institutions

	31 December 2022		31 December 2021	
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Loans and advances to other banks and financial institutions at amortised cost	43,256,155	28,956,145	178,085,590	117,967,335
Less: Impairment loss allowance	<u>(370,553)</u>	<u>(350,793)</u>	<u>(1,525,566)</u>	<u>(1,429,131)</u>
Loans and advances to other banks and financial institutions – net	<u>42,885,602</u>	<u>28,605,352</u>	<u>176,560,024</u>	<u>116,538,204</u>

10. Loans and advances to other banks and financial institutions (continued)

The movement of impairment loss allowance on loans and advances to other banks and financial institutions was as follows:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
At 1 January	350,793	436,023	1,429,131	1,763,713
Addition/(reversal of) allowance for the year (Note 36)	19,760	(85,230)	80,759	(346,716)
Currency translation differences	-	-	15,676	12,134
At 31 December	<u>370,553</u>	<u>350,793</u>	<u>1,525,566</u>	<u>1,429,131</u>

Loans and advances to other banks and financial institutions are analysed as follows:

A. By account types:

	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Term loans	<u>43,256,155</u>	<u>(370,553)</u>	<u>42,885,602</u>	<u>176,560,024</u>
	31 December 2021			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Overdraft	1,964,481	(23,721)	1,940,760	7,906,656
Term loans	<u>26,991,664</u>	<u>(327,072)</u>	<u>26,664,592</u>	<u>108,631,548</u>
	<u>28,956,145</u>	<u>(350,793)</u>	<u>28,605,352</u>	<u>116,538,204</u>

For additional analysis loans and advances to other banks and financial institutions, refer to Note 38B.

11. Loans and advances to customers

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Loans and advances to customers at amortised cost	499,852,543	363,510,703	2,057,892,920	1,480,942,604
Less: Impairment loss allowance	<u>(6,502,697)</u>	<u>(6,792,828)</u>	<u>(26,771,604)</u>	<u>(27,673,981)</u>
Loans and advances to customers – net	<u>493,349,846</u>	<u>356,717,875</u>	<u>2,031,121,316</u>	<u>1,453,268,623</u>

The movement of allowance for impairment losses on loans and advances to customers was as follows:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
At 1 January	6,792,828	6,296,538	27,673,981	25,469,496
(Reversal of) /addition for the year (Note 36)	<u>(290,131)</u>	<u>496,290</u>	<u>(1,185,765)</u>	<u>2,018,908</u>
Currency translation differences	-	-	283,388	185,577
At 31 December	<u>6,502,697</u>	<u>6,792,828</u>	<u>26,771,604</u>	<u>27,673,981</u>

Loans and advances to customers are analysed as follows:

A. By account types:

	31 December 2022			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Term loans	314,049,609	(4,624,353)	309,425,256	1,273,903,779
Housing loans	133,156,394	(1,298,116)	131,858,278	542,860,531
Overdrafts	36,502,125	(451,973)	36,050,152	148,418,475
Staff loans	10,347,325	(83,610)	10,263,715	42,255,715
Trust receipt	5,797,090	(44,645)	5,752,445	23,682,816
	<u>499,852,543</u>	<u>(6,502,697)</u>	<u>493,349,846</u>	<u>2,031,121,316</u>

11. Loans and advances to customers (continued)

Loans and advances to customers are analysed as follows (continued):

A. By account types (continued):

	31 December 2021			
	Gross carrying amounts US\$	ECL allowance US\$	Net carrying amounts US\$	KHR'000 (Note 5)
Term loans	242,689,195	(4,777,456)	237,911,739	969,252,425
Housing loans	85,516,034	(1,300,624)	84,215,410	343,093,580
Overdrafts	24,908,722	(588,287)	24,320,435	99,081,452
Staff loans	7,363,573	(89,679)	7,273,894	29,633,844
Trust receipt	3,033,179	(36,782)	2,996,397	12,207,322
	<u>363,510,703</u>	<u>(6,792,828)</u>	<u>356,717,875</u>	<u>1,453,268,623</u>

For additional analysis of gross amount of loans and advances to customers, refer to Note 38B.

12. Derivatives held for risk management

	31 December		31 December	
	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Derivative assets				
Interest rate swap (*)	<u>1,725,238</u>	<u>364,500</u>	<u>7,102,805</u>	<u>1,484,973</u>
Derivative liabilities				
Interest rate swap (*)	(1,725,238)	(364,500)	(7,102,805)	(1,484,973)
Foreign exchange rate swap	-	(379,971)	-	(1,548,002)
Currency swap designated in cash flow hedge (**)	<u>(358,374)</u>	<u>-</u>	<u>(1,475,426)</u>	<u>-</u>
	<u>(2,083,612)</u>	<u>(744,471)</u>	<u>(8,578,231)</u>	<u>(3,032,975)</u>

(*) On 4 February 2021, the Bank entered into interest rate swap arrangements with Bred Banque Populaire and ACLEDA Bank Plc with the nominal amount of US\$20 million each, effective from 21 March 2021 to 28 April 2025.

(*) The Bank entered into four different foreign exchange rate swaps with other Banks with notional amount of US\$50,000,000.

12. Derivatives held for risk management (continued)

A. Cash Flow hedges of foreign currency risk

The amounts relating to items designated as hedged items at 31 December 2022 were as follows:

	Line item in the statement of financial position where the hedging instrument is included	Change in fair value of hedged item for ineffectiveness assessment	Cash flow hedges reserve	
			Continued hedges	Discontinued hedges
	Notional amounts			
	Assets	Liabilities		
Foreign exchange rate swap				
KHR loans and advances to customers	50,000,000	-	(65,622)	-
In KHR'000 equivalents (Note 5)	205,850,000	-	(268,197)	-

12. Derivatives held for risk management (continued)

A. Cash Flow hedges of foreign currency risk (continued)

The following table contains information regarding the effectiveness of the hedging relationships as well as impacts on profit or loss and other comprehensive income for the year ended 31 December 2022:

	Amounts reclassified from reserves to PL			PL line item that includes reclassified amount
	Gain/(loss) recognised in OCI	Hedge cash flows will no longer occur	Hedged item affected PL	
	US\$	US\$	US\$	
Foreign exchange rate swap	(65,622)	-	(292,752)	Net loss on derivative
In KHR'000 equivalents (Note 5)	(268,197)	-	(1,196,477)	



13. Other assets

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000 (Note 5)	KHR'000 (Note 5)
Guarantee deposits	507,348	401,531	2,088,752	1,635,837
Prepayments	590,424	718,151	2,430,776	2,925,748
Others	211,288	102,002	869,872	415,556
	<u>1,309,060</u>	<u>1,221,684</u>	<u>5,389,400</u>	<u>4,977,141</u>



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14. Intangible assets

2022	Computer software US\$	Website design US\$	Work- in progress US\$	US\$	Total KHR'000 (Note 5)
Cost					
At 1 January 2022	3,033,984	328,234	924,091	4,286,309	17,462,423
Additions	75,763	29,692	1,594,042	1,699,497	6,945,844
Transfers	105,210	-	(105,210)	-	-
Written off	-	-	(172,342)	(172,342)	(704,362)
Currency translation differences	-	-	-	-	230,126
At 31 December 2022	3,214,957	357,926	2,240,581	5,813,464	23,934,031
Less: Accumulated amortisation					
At 1 January 2022	2,398,430	174,587	-	2,573,017	10,482,471
Amortisation for the year	246,110	80,455	-	326,565	1,334,671
Currency translation differences	-	-	-	-	120,437
At 31 December 2022	2,644,540	255,042	-	2,899,582	11,937,579
Carrying amounts					
At 31 December 2022	570,417	102,884	2,240,581	2,913,882	11,996,452

14. Intangible assets (continued)

2021	Computer software US\$	Website design US\$	Work- in progress US\$	US\$	Total KHR'000 (Note 5)
Cost					
At 1 January 2021	2,591,810	181,684	521,102	3,294,596	13,326,641
Addition	-	-	991,713	991,713	4,034,288
Transferred from work in progress	442,174	146,550	(588,724)	-	-
Currency translation differences	-	-	-	-	101,494
At 31 December 2021	3,033,984	328,234	924,091	4,286,309	17,462,423
Less: Accumulated amortisation					
At 1 January 2021	1,860,379	113,377	-	1,973,756	7,983,843
Amortisation for the year	538,051	61,210	-	599,261	2,437,794
Currency translation differences	-	-	-	-	60,834
At 31 December 2021	2,398,430	174,587	-	2,573,017	10,482,471
Carrying amounts					
At 31 December 2021	635,554	153,647	924,091	1,713,292	6,979,952

15. Property and equipment

2022	Furniture and fixture US\$	Equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work-in progress US\$	Total US\$	KHR'000 (Note 5)
Cost							
At 1 January 2022	1,979,347	1,071,548	2,485,980	675,922	1,306,757	7,519,554	30,634,663
Additions	382,830	196,985	30,036	235,840	1,758,537	2,604,228	10,643,480
Transfers	318,031	53,213	488,111	48,640	(907,995)	-	-
Currency translation differences	-	-	-	-	-	-	401,467
At 31 December 2022	2,680,208	1,321,746	3,004,127	960,402	2,157,299	10,123,782	41,679,610
Less: Accumulated depreciation							
At 1 January 2022	409,404	481,164	1,476,108	335,837	-	2,702,513	11,010,038
Depreciation	231,892	197,556	437,558	155,004	-	1,022,010	4,176,955
Currency translation differences	-	-	-	-	-	-	146,868
At 31 December 2022	641,296	678,720	1,913,666	490,841	-	3,724,523	15,333,861
Carrying amounts							
At 31 December 2022	2,038,912	643,026	1,090,461	469,561	2,157,299	6,399,259	26,345,749

15. Property and equipment (continued)

2021	Furniture and fixture US\$	Equipment US\$	Computer equipment US\$	Motor vehicles US\$	Work-in progress US\$	Total US\$	KHR'000 (Note 5)
Cost							
At 1 January 2021	1,766,272	975,261	2,066,938	589,447	786,733	6,184,651	25,016,913
Additions	-	-	-	25,000	1,373,758	1,398,758	5,690,148
Transfers	213,075	96,287	419,042	125,330	(853,734)	-	-
Disposal	-	-	-	(63,855)	-	(63,855)	(259,762)
Currency translation differences	-	-	-	-	-	-	187,364
At 31 December 2021	1,979,347	1,071,548	2,485,980	675,922	1,306,757	7,519,554	30,634,663
Less: Accumulated depreciation							
At 1 January 2021	226,301	302,803	1,041,544	247,338	-	1,817,986	7,353,753
Depreciation	183,103	178,361	434,564	131,068	-	927,096	3,771,427
Disposal	-	-	-	(42,569)	-	(42,569)	(173,171)
Currency translation differences	-	-	-	-	-	-	58,029
At 31 December 2021	409,404	481,164	1,476,108	335,837	-	2,702,513	11,010,038
Carrying amounts							
At 31 December 2021	1,569,943	590,384	1,009,872	340,085	1,306,757	4,817,041	19,624,625

16. Right-of-use assets

Information about the Bank's leases is disclosed within this note and Note 20.

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Right-of-use assets	8,213,029	7,622,059	33,813,040	31,052,268

The Bank leases many assets including office spaces. Information about leases for which the Bank is a lessee is presented below.

	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Right-of-use assets				
Cost				
At 1 January	10,966,200	9,940,163	44,676,299	40,207,959
Additions	1,931,788	1,026,037	7,895,218	4,173,919
Currency translation differences	-	-	529,500	294,421
At 31 December	12,897,988	10,966,200	53,101,017	44,676,299
Less: Accumulated amortisation				
At 1 January	3,344,141	2,278,058	13,624,031	9,214,744
Amortisation for the year	1,340,818	1,066,083	5,479,923	4,336,826
Currency translation differences	-	-	184,023	72,461
At 31 December	4,684,959	3,344,141	19,287,977	13,624,031
Carrying amounts				
At 31 December	8,213,029	7,622,059	33,813,040	31,052,268

17. Deposits from customers

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Saving accounts	12,628,472	10,044,602	51,991,419	40,921,709
Fixed deposits	150,657,883	145,653,633	620,258,504	593,392,901
Demand deposits	116,041,987	69,363,287	477,744,861	282,586,031
	279,328,342	225,061,522	1,149,994,784	916,900,641

Deposits from customers are analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By relationship:				
Related parties (Note 34C)	370,400	835,004	1,524,937	3,401,806
Non-related parties	278,957,942	224,226,518	1,148,469,847	913,498,835
	279,328,342	225,061,522	1,149,994,784	916,900,641
B. By customer type:				
Individuals	194,526,402	159,321,044	800,865,197	649,073,933
Business enterprises	84,801,940	65,740,478	349,129,587	267,826,708
	279,328,342	225,061,522	1,149,994,784	916,900,641
C. By residency status:				
Residents	240,239,941	191,786,186	989,067,837	781,336,922
Non-residents	39,088,401	33,275,336	160,926,947	135,563,719
	279,328,342	225,061,522	1,149,994,784	916,900,641

17. Deposits from customers (continued)

Deposits from customers are analysed as follows (continued):

D. By interest rate (per annum):

Annual interest rates applicable to deposits from customers at the year end were as follows:

	31 December 2022	31 December 2021
Saving accounts	0.30% - 1.50%	0.30% - 1.50%
Fixed deposits	0.65% - 6.00%	0.50% - 6.00%
Demand deposits	0.30% - 1.50%	0.30% - 1.50%

18. Deposits from other banks and financial institutions

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Fixed deposits	122,852,625	97,691,732	505,784,257	397,996,116
Demand deposits	12,998,839	11,351,262	53,516,220	46,245,041
Saving accounts	246,544	2,139,890	1,015,022	8,717,912
	<u>136,098,008</u>	<u>111,182,884</u>	<u>560,315,499</u>	<u>452,959,069</u>

Deposits from other banks and financial institutions are analysed as follows:

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
A. By relationship:				
Related parties (Note 34C)	59,183,487	59,296,771	243,658,416	241,575,045
Non-related parties	76,914,521	51,886,113	316,657,083	211,384,024
	<u>136,098,008</u>	<u>111,182,884</u>	<u>560,315,499</u>	<u>452,959,069</u>

18. Deposits from other banks and financial institutions (continued)

Deposits from other banks and financial institutions are analysed as follows (continued):

B. By interest rate (per annum):

Annual interest rates applicable to deposits from other banks and financial institutions at the year end were as follows:

	31 December 2022	31 December 2021
Fixed deposits	3.00% - 6.00%	2.00% - 6.00%
Demand deposits	0.00% - 0.35%	0.00% - 0.35%

19. Borrowings

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Related parties (i)	168,288,585	70,025,839	692,844,105	285,285,268
Non-related parties (ii)	1,523,427	15,891,139	6,271,948	64,740,500
	<u>169,812,012</u>	<u>85,916,978</u>	<u>699,116,053</u>	<u>350,025,768</u>

- (i) This represents a short-term unsecured borrowing from BRED Banque Populaire – Head Office with principal outstanding as at 31 December 2022 of US\$160,00,000 (2021: US\$70,000,000) based on the approval from the credit committee dated 13 December 2022 and overdraft facilities with the following terms and conditions.

Total credit facilities	Asset liability management ("ALM")	Overdraft
	US\$160,000,000	US\$8,288,585
Maturity	28-Dec-2022 to 01-Feb-2023 The borrowing was subsequently extended to 27 April 2023.	Nil
Principal repayment	At maturity date	Upon demand
Interest repayment	At maturity date	Quarterly
Interest rate	Libor + Spread	Libor + 2%

- (ii) These borrowings are unsecured and bear interest at rates ranging from 1.10% to 6.00% (2021: 2.5% to 5.85%) per annum.

19. Borrowings (continued)

The movements of borrowings were as follows:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
At 1 January	85,733,922	86,516,687	346,775,711	349,959,999
Additions	328,110,811	101,846,498	1,340,988,885	414,311,554
Repayments	(244,199,398)	(102,629,263)	(998,042,940)	(417,495,842)
	169,645,335	85,733,922	689,721,656	346,775,711
Accrued interest payables	166,677	183,056	686,209	745,770
Currency translation difference	-	-	8,708,188	2,504,287
At 31 December	169,812,012	85,916,978	699,116,053	350,025,768

20. Lease liabilities

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Maturity analysis –undiscounted contractual cash flows				
Less than one year	1,679,924	984,085	6,916,247	4,009,162
One to five years	5,195,213	5,316,495	21,388,692	21,659,401
More than five years	2,522,183	2,245,554	10,383,827	9,148,387
Total undiscounted lease liabilities	9,397,320	8,546,134	38,688,766	34,816,950

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Present value of lease liabilities				
Current	1,470,013	761,043	6,052,044	3,100,489
Non-current	7,123,060	6,856,752	29,325,638	27,934,408
	8,593,073	7,617,795	35,377,682	31,034,897

20. Lease liabilities (continued)

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
A. Amounts recognised in profit or loss				
Interest on lease liabilities	233,109	276,730	952,716	1,125,738
B. Amounts recognised in the statement of cash flows				
Total cash outflow for leases	934,976	940,052	3,821,247	3,824,132

21. Other liabilities

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Fund held under escrow account (*)	4,040,000	-	16,632,680	-
Accruals and other payables	2,079,983	2,213,690	8,563,290	9,018,573
Amount due to related parties (Note 34C)	648,680	500,000	2,670,616	2,037,000
Other tax payables	298,179	98,680	1,227,603	402,022
	7,066,842	2,812,370	29,094,189	11,457,595

(*) Funds held under escrow account represents the funds held on behalf of two parties who entered into a sale and purchase agreement. The Bank acts as an agent. The account shall be maintained for the period of 12 months with the interest rate of 1% per annum.

22. Employee benefit obligations

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Seniority indemnity	44,240	61,000	182,136	248,514
Other	4,412	-	18,164	-
	<u>48,652</u>	<u>61,000</u>	<u>200,300</u>	<u>248,514</u>

This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits for the relevant year.
- Retrospective (back-pay): starting from 2021 onwards at the amounts equal to 6 days of net wages for the relevant year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity, which is not yet due, if he/she resigns from the Bank.

The movements of employee benefit obligations were as follows:

	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	61,000	42,810	248,514	173,166
Provision for the year	4,412	26,574	18,032	108,103
Paid during the year	(16,760)	(8,384)	(68,498)	(34,106)
Currency translation difference	-	-	2,252	1,351
At 31 December	<u>48,652</u>	<u>61,000</u>	<u>200,300</u>	<u>248,514</u>

23. Income tax expense

A. Deferred tax assets – net

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Deferred tax assets	2,455,010	1,992,048	10,107,276	8,115,604
Deferred tax liabilities	(842,484)	(175,773)	(3,468,506)	(716,100)
Deferred tax assets – net	<u>1,612,526</u>	<u>1,816,275</u>	<u>6,638,770</u>	<u>7,399,504</u>

Deferred tax assets are attributable to the following:

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Allowance for impairment losses on financial instruments	(647,149)	1,734,217	(2,664,312)	7,065,200
Provision for employee benefits	8,848	12,200	36,427	49,703
Tax losses carried forward	2,022,045	-	8,324,759	-
Right-of-use assets	76,009	(853)	312,929	(3,475)
Deferred income from loan and advances	348,109	245,631	1,433,165	1,000,701
Depreciation and amortisation	(195,336)	(174,920)	(804,198)	(712,625)
	<u>1,612,526</u>	<u>1,816,275</u>	<u>6,638,770</u>	<u>7,399,504</u>

The movements of deferred tax are as follows:

	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
At 1 January	1,816,275	1,492,103	7,399,504	6,035,557
(Reversal)/recognised in profit or loss	(203,749)	324,172	(832,722)	1,318,732
Currency translation differences	-	-	71,988	45,215
At 31 December	<u>1,612,526</u>	<u>1,816,275</u>	<u>6,638,770</u>	<u>7,399,504</u>

23. Income tax expense (continued)

B. Current income tax liability

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
At 1 January	25,011	20,091	101,895	81,268
Income tax expense	367,491	269,567	1,501,936	1,096,599
Income tax paid	(357,455)	(264,647)	(1,460,919)	(1,076,584)
Currency translation differences	-	-	1,376	612
At 31 December	<u>35,047</u>	<u>25,011</u>	<u>144,288</u>	<u>101,895</u>

C. Income tax /Minimum tax expense

In accordance with Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Minimum tax expense	<u>367,491</u>	<u>269,567</u>	<u>1,501,936</u>	<u>1,096,599</u>
Income tax expense/(benefit)	<u>203,749</u>	<u>(324,172)</u>	<u>832,722</u>	<u>(1,318,732)</u>

The reconciliation of income tax computed at the statutory tax rate of 20% to the income tax expense shown in profit or loss is as follows:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Profit before income tax	<u>1,931,414</u>	<u>554,121</u>	<u>7,893,689</u>	<u>2,254,164</u>
Income tax rate of 20%	386,283	110,824	1,578,738	450,833
Effect of non-deductible expenses	288,070	363,417	1,177,342	1,478,380
Others	<u>(470,604)</u>	<u>(798,413)</u>	<u>(1,923,358)</u>	<u>(3,247,945)</u>
Income tax expense/(benefit)	<u>203,749</u>	<u>(324,172)</u>	<u>832,722</u>	<u>(1,318,732)</u>

The calculation of taxable income is subject to the final review and approval of the tax authorities.

24. Share capital

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Contributed capital	<u>110,000,000</u>	<u>110,000,000</u>	<u>442,870,000</u>	<u>442,870,000</u>

The movements of share capital are as follows:

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Contributed capital	110,000,000	75,000,000	442,870,000	300,000,000
Injection during the year	<u>-</u>	<u>35,000,000</u>	<u>-</u>	<u>142,870,000</u>
	<u>110,000,000</u>	<u>110,000,000</u>	<u>442,870,000</u>	<u>442,870,000</u>

On 2 February 2023, the Bank requested to the National Bank of Cambodia ("NBC") to increase the share capital from US\$110,000,000 to US\$145,000,000. On 29th March 2023, the Bank obtained approval from the NBC on the increase in share capital.

As of the date of these financial statements, the amendment to the Memorandum and Articles of Association (M&AA) is still in process with the Ministry of Commerce.

25. Reserves

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Regulatory reserves	9,920,815	-	40,546,371	-
Cash flow hedge reserves	<u>65,622</u>	<u>-</u>	<u>268,197</u>	<u>-</u>
	<u>9,986,437</u>	<u>-</u>	<u>40,814,568</u>	<u>-</u>

25. Reserves (continued)

1 January 2022

Other comprehensive income currency swap	-	-	65,622	268,197	65,622	268,197
Total comprehensive income for the year	-	-	65,622	268,197	65,622	268,197
Transfers from accumulated losses	9,920,815	40,546,371	-	-	9,920,815	40,546,371
	9,920,815	40,546,371	-	-	9,920,815	40,546,371
31 December 2022	9,920,815	40,546,371	65,622	268,197	9,986,437	40,814,568

(*) Regulatory reserves represented the variance between impairment losses on financial instruments in accordance with CIFRSs and the regulatory provision in accordance with the National Bank of Cambodia.

25. Reserves (continued)

31 December 2022

Allowance per the National Bank of Cambodia (i)	99,680	16,043,187	1,473,288	18,130,504
Allowance per CIFRS 9 (ii)	(136,461)	(6,502,697)	(1,199,978)	(8,209,689)
Regulatory reserves (A) = (i) + (ii)	(36,781)	143,796	273,310	9,920,815

31 December 2021

Allowance per the National Bank of Cambodia (i)	289,261	3,927,955	939,451	5,549,789
Allowance per CIFRS 9 (ii)	(349,283)	(6,792,828)	(1,582,260)	(9,075,164)
Regulatory reserves (B) = (i) + (ii)	-	-	-	-

Transfer from accumulated losses to
regulatory reserves (A – B)

In KHR'000 (Note 5)	9,920,815
	40,546,371

26. Interest income

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Loans and advances to other banks and financial institutions	3,195,674	2,036,561	13,060,720	8,284,730
Loans and advances to customers	30,947,201	23,339,133	126,481,210	94,943,594
Balance with the National Bank of Cambodia	176,774	24,130	722,475	98,161
Balance with other banks and financial institutions	41,808	3,757	170,870	15,283
	<u>34,361,457</u>	<u>25,403,581</u>	<u>140,435,275</u>	<u>103,341,768</u>

27. Interest expense

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Fixed deposits	11,237,437	7,904,573	45,927,405	32,155,803
Demand deposits	383,370	402,135	1,566,833	1,635,885
Saving accounts	205,662	131,494	840,541	534,918
Borrowings	3,397,509	1,335,903	13,885,620	5,434,453
Lease liabilities	233,109	276,730	952,716	1,125,738
	<u>15,457,087</u>	<u>10,050,835</u>	<u>63,173,115</u>	<u>40,886,797</u>

28. Net fee and commission income

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Inward and outward remittance	733,296	551,253	2,996,981	2,242,497
Other fees	1,344,961	1,095,155	5,496,855	4,455,090
	<u>2,078,257</u>	<u>1,646,408</u>	<u>8,493,836</u>	<u>6,697,587</u>
Fee and commission expenses	<u>(1,575,285)</u>	<u>(1,260,595)</u>	<u>(6,438,190)</u>	<u>(5,128,100)</u>
	<u>502,972</u>	<u>385,813</u>	<u>2,055,646</u>	<u>1,569,487</u>

29. Other income

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Foreign exchange gain	318,290	419,375	1,300,852	1,706,017
Income from equity investment	19,556	6,480	79,925	26,361
Other income	-	3,715	-	15,113
	<u>337,846</u>	<u>429,570</u>	<u>1,380,777</u>	<u>1,747,491</u>

30. Net losses from other financial instruments at FVTPL

The below are derived from derivatives held for risk management excluding the effective portion of derivatives held for hedge accounting purpose:

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
<i>Income from derivatives held for risk management</i>				
Interest rate swaps	<u>1,725,238</u>	<u>364,500</u>	<u>7,051,048</u>	<u>1,482,786</u>
<i>Loss from derivatives held for risk management</i>				
Interest rate swaps	(1,725,238)	(364,500)	(7,051,048)	(1,482,786)
Foreign exchange swaps	-	(379,971)	-	(1,545,722)
Currency swap designated in cash flow hedge- hedging costs	<u>(292,752)</u>	<u>-</u>	<u>(1,196,477)</u>	<u>-</u>
	<u>(2,017,990)</u>	<u>(744,471)</u>	<u>(8,247,525)</u>	<u>(3,028,508)</u>
Net losses from other financial instruments at FVTPL	<u>(292,752)</u>	<u>(379,971)</u>	<u>(1,196,477)</u>	<u>(1,545,722)</u>

31. Personnel expenses

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Salaries and wages	4,920,349	3,831,405	20,109,466	15,586,156
Fringe benefits – management	256,257	243,475	1,047,322	990,456
Other benefits	1,925,555	1,407,974	7,869,744	5,727,638
	<u>7,102,161</u>	<u>5,482,854</u>	<u>29,026,532</u>	<u>22,304,250</u>

32. Other operating expenses

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Depreciation and amortisation	2,689,393	2,592,440	10,991,549	10,546,047
Professional fees	2,807,820	2,147,336	11,475,560	8,735,363
Other tax expenses	1,734,643	1,148,055	7,089,486	4,670,288
Public relations, marketing and advertising	797,241	671,777	3,258,324	2,732,789
Low value lease and short-term rental	407,218	196,279	1,664,300	798,463
License fees	267,276	235,420	1,092,357	957,688
Utilities expenses	205,814	165,453	841,162	673,063
Repairs and maintenance	332,663	287,058	1,359,594	1,167,752
Insurance expense	218,026	152,499	891,072	620,366
Communication	193,144	134,831	789,380	548,493
Travelling and accommodation	86,456	42,226	353,346	171,775
Office supplies	135,964	116,261	555,685	472,949
Other expenses	896,368	814,450	3,663,455	3,313,182
	<u>10,772,026</u>	<u>8,704,085</u>	<u>44,025,270</u>	<u>35,408,218</u>

33. Commitments and contingencies

A. Commitments

In the normal course of business, the Bank makes various commitments and incurs certain contingencies with legal recourse to its customers. No material losses are anticipated from these transactions, which consist of:

	31 December 2022 US\$	31 December 2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
Foreign exchange contracts				
- Foreign exchange commitments - sell	51,251,889	20,000,000	211,004,027	81,480,000
- Foreign exchange commitments - buy	(50,000,000)	(19,980,363)	(205,850,000)	(81,400,000)
Unused portion of credit facilities	113,999,058	81,320,521	469,334,122	331,299,803
Letters of credits	6,161,138	854,000	25,365,405	3,479,196
Bankers' guarantees	8,548,969	11,770,606	35,196,105	47,953,450
	<u>129,961,054</u>	<u>93,964,764</u>	<u>535,049,659</u>	<u>382,812,449</u>

See note 38B(v) for the reconciliation of loss allowance on off balance sheet items.

B. Taxation contingencies

The tax returns of the Bank are subject to periodic examination by the tax authorities. As the application of tax laws and regulations to various types of transactions is susceptible to varying interpretations, amounts reported in the financial statements of the Bank could be changed at a later date, upon final determination by the tax authorities.

34. Related parties

A. Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Bank if the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Bank have related party relationships with its substantial shareholders, companies under common control and key management personnel.

34. Related parties (continued)

A. Identity of related parties (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel include all the Directors of the Bank, and certain senior management members of the Bank.

Key management have banking relationships with Bank entities which are entered into in the normal course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with other persons of a similar standing or, where applicable, with other employees. These transactions did not involve more than the normal risk of repayment or present other unfavourable features.

B. Transactions with related parties

	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)
BRD (Cambodia) Limited				
Rental expense (building and meeting room)	861,309	708,774	3,520,170	2,883,293
Electricity charge	97,887	96,488	400,064	392,513
Maintenance services charges	50,035	25,890	204,493	105,321
Interest paid / Account maintenance fees	24	12	98	49
Interest expense	1,491	1,351	6,094	5,496
Bred IT				
IT maintenance fees	2,169,498	1,571,845	8,866,738	6,394,265
BRED Banque Populaire				
Share capital injection	-	35,000,000	-	142,380,000
Interest expense	3,004,767	859,766	12,280,483	3,497,528
Representative office of Compagnie Financiere de la BRED				
Interest expense	1,827	1,291	7,467	5,252
Banque Pour Le Commerce Et L'industrie Mer Rouge				
Interest expense	280,000	859,930	1,144,360	3,498,195
Key Management remuneration				
Salary for management	539,239	555,794	2,203,870	2,260,971
Benefits for management	681,537	27,610	2,785,442	112,316

34. Related parties (continued)

C. Balances with related parties

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
Amount due to related party				
Bred IT	648,680	500,000	2,670,616	2,037,000
Deposits from related parties (Note 17A and 18A)				
Representative office of Compagnie Financiere de la BRED	242,642	316,371	998,957	1,288,895
BRD (Cambodia) Limited	127,661	518,633	525,580	2,112,911
Banque Pour Le Commerce Et L'industrie Mer Rouge	59,183,487	58,461,767	243,658,416	238,173,239
Bred IT	97	-	400	-
	59,553,887	59,296,711	245,183,353	241,575,045
Borrowings from a related party				
BRED Banque Populaire (Note 19)	168,288,585	70,025,839	692,844,105	285,285,268

Amounts due from/(to) related parties are unsecured, interest free and have no fixed term of repayments. Refer to Note 17, 18 and 19 for the term and conditions of deposits from related parties and borrowings.

35. Cash and cash equivalents

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Cash on hand (Note 6)	22,606,828	21,708,930	93,072,311	88,442,181
Balances with other banks and financial institutions (Note 8)				
Current accounts	12,768,404	28,926,099	52,567,519	117,844,927
Balances with the National Bank of Cambodia: (Note 7)				
Current accounts	42,682,556	21,302,837	175,724,083	86,787,758
Negotiable certificates of deposits ("NCD")	9,716,244	-	40,001,777	-
	52,398,800	21,302,837	215,725,860	86,787,758
Cash and cash equivalents in the statement of cash flows	87,774,032	71,937,866	361,365,690	293,074,866

36. Impairment loss of financial instruments

	31 December		31 December	
	2022	2021	2022	2021
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Net impairment loss on balances with other banks and financial institutions (Note 8)	212,822	(104,204)	869,804	(423,902)
Net impairment loss on loans and advances to banks and other financial institutions (Note 10)	(19,760)	85,230	(80,759)	346,716
Net impairment loss on loans and advances to customers (Note 11)	290,131	(496,290)	1,185,765	(2,018,908)
Net impairment loss on off-balance sheet items (Note 38B(v))	382,282	(191,577)	1,562,387	(779,335)
Written off of uncollectable loans not covered by impairment loss	(144,819)	(70,690)	(591,876)	(287,567)
	720,656	(777,531)	2,945,321	(3,162,996)

37. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

	31 December 2022	Mandatorily at FVTPL US\$	Designated as at FVTPL US\$	FVOCI – debt instruments US\$	FVOCI – equity instruments US\$	Amortised Cost US\$	Total carrying amount US\$	KHR'000 (Note 5)
Cash on hand	-	-	-	-	-	22,606,828	22,606,828	93,072,311
Balances with the National Bank of Cambodia	-	-	-	-	-	103,321,927	103,321,927	425,376,373
Balances with other banks and financial institutions	-	-	-	-	140,000	17,640,738	17,640,738	72,626,919
Financial assets at FVOCI	-	-	-	-	-	-	140,000	576,380
Loans and advances to other banks and financial institutions	-	-	-	-	-	42,885,602	42,885,602	176,560,024
Loans and advances to customers	-	-	-	-	-	493,349,846	493,349,846	2,031,121,316
Derivative assets held for risk management	-	1,725,238	-	-	-	-	1,725,238	7,102,805
Other assets	-	-	-	-	-	718,536	718,536	2,958,213
Total financial assets	-	1,725,238	-	-	140,000	680,523,477	682,388,715	2,809,394,341

37. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2022	Mandatorily at FVTPL US\$	Designated as at FVTPL US\$	FVOCI – debt instruments US\$	FVOCI – equity instruments US\$	Amortised Cost US\$	Total carrying amount US\$	KHR'000 (Note 5)
Deposits from customers	-	-	-	-	279,328,342	279,328,342	1,149,994,784
Deposits from other banks and financial institutions	-	-	-	-	136,098,008	136,098,008	560,315,499
Borrowings	-	-	-	-	169,812,012	169,812,012	699,116,053
Derivative liabilities held for risk management	-	2,083,612	-	-	-	2,083,612	8,578,231
Lease liabilities	-	-	-	-	8,593,073	8,593,073	35,377,682
Other liabilities	-	-	-	-	6,797,830	6,797,830	27,986,666
Total financial liabilities	-	2,083,612	-	-	600,629,265	602,712,877	2,481,368,915

37. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2021	Mandatorily at FVTPL US\$	Designated as at FVTPL US\$	FVOCI – debt instruments US\$	FVOCI – equity instruments US\$	Amortised Cost US\$	Total carrying amount US\$	KHR'000 (Note 5)
Cash on hand	-	-	-	-	21,708,930	21,708,930	88,442,181
Balances with the National Bank of Cambodia	-	-	-	-	77,825,171	77,825,171	317,059,747
Balances with other banks and financial institutions	-	-	-	-	28,576,816	28,576,816	116,421,948
Financial assets at FVOCI	-	-	-	140,000	-	140,000	570,360
Loans and advances to other banks and financial institutions	-	-	-	-	28,605,352	28,605,352	116,538,204
Loans and advances to customers	-	-	-	-	356,717,875	356,717,875	1,453,268,623
Derivative assets held for risk management	-	364,500	-	-	-	364,500	1,484,973
Other assets	-	-	-	-	502,893	502,893	2,048,786
Total financial assets	-	364,500	-	140,000	513,937,037	514,441,537	2,095,834,822

37. Classification of financial assets and financial liabilities (continued)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments. (continued)

31 December 2021	Mandatorily at FVTPL US\$	Designated as at FVTPL US\$	FVOCI – debt instruments US\$	FVOCI – equity instruments US\$	Amortised Cost US\$	Total carrying amount US\$	KHR'000 (Note 5)
Deposits from customers	-	-	-	-	225,061,522	225,061,522	916,900,641
Deposits from other banks and financial institutions	-	-	-	-	111,182,884	111,182,884	452,959,069
Borrowings	-	-	-	-	85,916,978	85,916,978	350,025,768
Derivative liabilities held for risk management	-	744,471	-	-	-	744,471	3,032,975
Lease liabilities	-	-	-	-	7,617,795	7,617,795	31,034,897
Other liabilities	-	-	-	-	2,713,690	2,713,690	11,055,573
Total financial liabilities	-	744,471	-	-	432,492,869	433,237,340	1,765,008,923



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38. Financial risk management

A. Introduction and overview

The Bank has exposure to the following risks from financial instruments:

- credit risk;
- market risk;
- liquidity risk; and
- operational risk.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

The Bank holds the following financial assets and liabilities:

	31 December 2022 US\$		31 December 2021 KHR'000 (Note 5)	
Financial assets				
Cash on hand	22,606,828	21,708,930	93,072,311	88,442,181
Balances with the National Bank of Cambodia	103,321,927	77,825,171	425,376,373	317,059,747
Balances with other banks and financial institutions	17,640,738	28,576,816	72,626,919	116,421,948
Financial assets at FVOCI	140,000	140,000	576,380	570,360
Loans and advances to other banks and financial institutions	42,885,602	28,605,352	176,560,024	116,538,204
Loans and advances to customers	493,349,846	356,717,875	2,031,121,316	1,453,268,623
Derivative assets held for risk management	1,725,238	364,500	7,102,805	1,484,973
Other assets	718,536	502,893	2,958,213	2,048,786
	<u>682,388,715</u>	<u>514,441,537</u>	<u>2,809,394,341</u>	<u>2,095,834,822</u>
Financial liabilities				
Deposits from customers	279,328,342	225,061,522	1,149,994,784	916,900,641
Deposits from other banks and financial institutions	136,098,008	111,182,884	560,315,499	452,959,069
Borrowings	169,812,012	85,916,978	699,116,053	350,025,768
Derivative liabilities held for risk management	2,083,612	744,471	8,578,231	3,032,975
Lease liabilities	8,593,073	7,617,795	35,377,682	31,034,897
Other liabilities	6,797,830	2,713,690	27,986,666	11,055,573
	<u>602,712,877</u>	<u>433,237,340</u>	<u>2,481,368,915</u>	<u>1,765,008,923</u>

38. Financial risk management (continued)

A. Introduction and overview (continued)

Risk management functional and governance structure

The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Bank Audit committee and the Risk Committee, which are respectively responsible for approving and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Bank's Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank's Audit Committee.

B. Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and banks and other financial institutions, investment debt securities and off-balance sheet. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

Credit risk is the potential loss of revenue and principal losses arising mainly from loans and advances and loan commitments as a result of default by the borrowers or counterparties through its lending activities.

38. Financial risk management (continued)

B. Credit risk (continued)

(i). *Management of credit risk*

The management of credit risk of the Bank is integrated within BRED Group Credit Risk Management.

BRED's credit risk management is based on the strict independence of the Commitments Department from the commercial business lines. The Commitments Department is involved in the decision-making process and subsequent monitoring of commitments. It has collaborators in the regional operational directorates, that, besides making credit decisions, ensure promotion good practices in order to satisfactorily control risk.

The Commitments Department proposes BRED's credit policy, as validated by its staff managers and approved by the Board of Directors. It validates the credit policies of the subsidiaries, once they have been approved by their respective surveillance departments. It monitors the dissemination and correct implementation of these policies within the BRED Group. The Credit Risk Department (DRC) is under the Head of Risk, Compliance and Permanent Control, which itself is directly under the General Management and reports to the Board of Directors.

The Credit Risk Department, which is totally independent from the commercial business lines and from the Commitments Department, is responsible for second level permanent control of credit risk. It validates the credit policies once they have been set by the head of department, before to be approved by BRED HQ Credit risk department and approved by the Board of Directors.

Management of credit risk is mainly based on:

- a system of delegation of powers to specific persons, reviewed annually by the Commitments Department and Credit Risk Department;
- an internal rating system that is highly integrated into the decision-making process;
- risk-spreading criteria;
- the following up on commitments on a continuous flow basis, with the help of an automated system of "position monitoring", of close-outs for depreciable trials and of defective accounts;
- reinforced detection and prevention of risks with retail, professional and corporate customers via the action of branch network employees and their hierarchy of monitoring tools; and
- permanent control conducted by the Credit Risk Department on regular basis, through a sample selection.

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk

The Board of Directors created the Bank Credit Committee for the oversight of credit risk. A separate Bank Credit department, reporting to the Bank Credit Committee, is responsible for managing the Bank's credit risk.

The following table presents the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amounts. For contingent liabilities such as unused portion of credit facilities, letters of credits and bankers' guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure

	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/credit enhancement %
31 December 2022					
On Balance sheet items					
Cash on hand	22,606,828	93,072,311	-	-	100%
Balance with the National Bank of Cambodia	103,321,927	425,376,373	-	-	100%
Balance with other banks and financial institutions	17,777,199	73,188,729	-	-	100%
Financial assets at FVOCI	140,000	576,380	-	-	100%
Loans and advances to other banks and financial institutions	43,256,155	178,085,590	3.38%	-	96.62%
Loans and advances to customers	499,852,543	2,057,892,920	95.09%	4.61%	0.30%
Derivatives held for risk management	1,725,238	7,102,805	-	-	100%
Other assets	718,536	2,958,213	-	-	100%
Total	689,398,426	2,838,253,321			
Off-Balance sheet items					
Contingent liabilities	15,961,996	65,715,538	94%	4%	2%
Commitments	113,999,058	469,334,122	42%	51%	7%
Total	129,961,054	535,049,660			

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Type of credit exposure (continued)

31 December 2021	Maximum credit exposure US\$	Maximum credit exposure KHR'000 (Note 5)	Fully subject to collateral/credit enhancement %	Partially subject to collateral/credit enhancement %	Unsecured and not subject to collateral/credit enhancement %
On Balance sheet items					
Cash on hand	21,708,930	88,442,181	-	-	100%
Balance with the National Bank of Cambodia	77,825,171	317,059,747	-	-	100%
Balance with other banks and financial institutions	28,926,099	117,844,927	-	-	100%
Financial assets at FVOCI	140,000	570,360	-	-	100%
Loans and advances to other banks and financial institutions	28,956,145	117,967,335	-	-	100%
Loans and advances to customers	363,510,703	1,480,942,604	92%	7%	1%
Derivatives held for risk management	364,500	1,484,973	-	-	100%
Other assets	502,893	2,048,786	-	-	100%
Total	521,934,441	2,126,360,913			
Off-Balance sheet items					
Contingent liabilities	12,644,243	51,512,646	80%	19%	1%
Commitments	81,320,521	331,299,803	71%	23%	6%
Total	93,964,764	382,812,449			

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors

31 December 2022	Balance with National Bank of Cambodia US\$	Balance with other banks and financial institutions US\$	Financial assets at FVOCI US\$	Loans and advance to banks and other financial institutions US\$	Loans and advances to customers US\$	Derivatives held for risk management US\$	Other assets US\$	Total US\$
Banking	103,321,927	17,777,199	-	8,106,603	-	1,725,238	-	130,930,967
Microfinance institutions	-	-	-	35,149,552	-	-	-	35,149,552
Manufacturing	-	-	-	-	39,695,546	-	-	39,695,546
Printing	-	-	-	-	3,685,162	-	-	3,685,162
Electricity	-	-	-	-	4,831,689	-	-	4,831,689
Water, sewerage and drainage	-	-	-	-	1,184,967	-	-	1,184,967
Construction services	-	-	-	-	11,715,143	-	-	11,715,143
Import and export	-	-	-	-	76,359,936	-	-	76,359,936
Other wholesale trade	-	-	-	-	54,095,956	-	-	54,095,956
Retail trade	-	-	-	-	26,013,323	-	-	26,013,323
Hotels and restaurants	-	-	-	-	22,168,078	-	-	22,168,078
Transport and storage	-	-	-	-	4,812,322	-	-	4,812,322
Real estate	-	-	-	-	142,217,933	-	-	142,217,933
Other retail lending	-	-	-	-	73,187,682	-	-	73,187,682
Others	-	-	140,000	-	39,884,806	-	718,536	40,743,342
Total (US\$)	103,321,927	17,777,199	140,000	43,256,155	499,852,543	1,725,238	718,536	666,791,598
Total (KHR'000 – Note 5)	425,376,373	73,188,729	576,380	178,085,590	2,057,892,920	7,102,805	2,958,213	2,745,181,010

38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by industrial sectors (continued)

31 December 2021	Balance with National Bank of Cambodia US\$	Balance with other banks and financial institutions US\$	Financial assets at FVOCI US\$	Loans and advance to banks and other financial institutions US\$	Loans and advances to customers US\$	Derivatives held for risk management US\$	Other assets US\$	Total US\$
Banking	77,825,171	28,926,099	-	14,775,844	-	364,500	-	121,891,614
Microfinance institutions	-	-	-	14,180,301	-	-	-	14,180,301
Manufacturing	-	-	-	-	30,759,626	-	-	30,759,626
Printing	-	-	-	-	3,617,587	-	-	3,617,587
Water, sewerage and drainage	-	-	-	-	1,232,910	-	-	1,232,910
Construction services	-	-	-	-	10,159,417	-	-	10,159,417
Import and export	-	-	-	-	75,899,737	-	-	75,899,737
Other wholesale trade	-	-	-	-	43,111,861	-	-	43,111,861
Retail trade	-	-	-	-	24,871,668	-	-	24,871,668
Hotels and restaurants	-	-	-	-	20,988,130	-	-	20,988,130
Transport and storage	-	-	-	-	5,596,894	-	-	5,596,894
Real estate	-	-	-	-	91,879,703	-	-	91,879,703
Other retail lending	-	-	-	-	35,824,722	-	-	35,824,722
Others	-	-	140,000	-	19,568,448	-	502,893	20,211,341
Total (US\$)	77,825,171	28,926,099	140,000	28,956,145	363,510,703	364,500	502,893	500,225,511
Total (KHR'000 – Note 5)	317,059,747	117,844,927	570,360	117,967,335	1,480,942,604	1,484,973	2,048,786	2,037,918,732



38. Financial risk management (continued)

B. Credit risk (continued)

(ii). Concentration of risk (continued)

Concentration risk by residency status, relationship, large exposures and by concession for loans and advances to customers:

	31 December 2022 US\$	31 December 2021 US\$	31 December 2022 KHR'000 (Note 5)	31 December 2021 KHR'000 (Note 5)
By residency status:				
Residents	499,408,638	363,351,809	2,056,065,363	1,480,295,270
Non-Resident	443,905	158,894	1,827,557	647,334
	<u>499,852,543</u>	<u>363,510,703</u>	<u>2,057,892,920</u>	<u>1,480,942,604</u>
By relationship:				
External customers	489,505,238	356,147,192	2,015,293,065	1,450,943,660
Staff loans	10,347,305	7,363,511	42,599,855	29,998,944
	<u>499,852,543</u>	<u>363,510,703</u>	<u>2,057,892,920</u>	<u>1,480,942,604</u>
By exposure:				
Large exposures (*)	81,676,869	43,932,359	336,263,670	178,980,431
Non-large exposures	418,175,674	319,578,344	1,721,629,250	1,301,962,173
	<u>499,852,543</u>	<u>363,510,703</u>	<u>2,057,892,920</u>	<u>1,480,942,604</u>
By concession:				
Restructured (**)	27,395,977	21,557,258	112,789,236	87,824,269
Non-restructured	472,456,566	341,953,445	1,945,103,684	1,393,118,335
	<u>499,852,543</u>	<u>363,510,703</u>	<u>2,057,892,920</u>	<u>1,480,942,604</u>

(*) A “large exposure” is defined under the NBC’s Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Bank’s net worth.

(**) A “restructured loan” is a loan that original contractual terms have been modified to provide for concessions for the borrowers on the reasons related to real temporary financial difficulties.

38. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral

Whilst the Bank's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Bank's exposure.

The description of collateral for each class of financial asset is set out below.

Cash and cash equivalents, placements with NBC, loans and advances to other banks and financial institutions, and other assets

Collateral is generally not sought for these assets.

Loans and advances to customers, loans and advances to other banks and financial institutions, contingent liabilities, and commitments

Certain loans and advances to customers, loans and advances to other financial institutions, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties.

38. Financial risk management (continued)

B. Credit risk (continued)

(iii). Collateral (continued)

The table below summarises the Bank's security coverage of its financial assets:

	Collateral/credit enhancement		Unsecured credit exposure	Total US\$
	Properties US\$	Fixed deposits US\$	US\$	
31 December 2022				
Loans and advances to other banks and financial institutions	1,498,801	-	41,757,354	43,256,155
Loans and advances to customers	492,414,056	5,751,078	1,687,409	499,852,543
Commitments	104,693,390	1,320,205	7,985,463	113,999,058
	<u>598,606,247</u>	<u>7,071,283</u>	<u>51,430,226</u>	<u>657,107,756</u>
31 December 2021				
Loans and advances to other banks and financial institutions	-	-	28,956,145	28,956,145
Loans and advances to customers	353,907,042	4,757,036	4,846,625	363,510,703
Commitments	76,258,869	386,815	4,674,837	81,320,521
	<u>430,165,911</u>	<u>5,143,851</u>	<u>38,477,607</u>	<u>473,787,369</u>

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis

Pursuant to the NBC guideline Prakas B7.017.344, the Bank has followed and applied the following policy which defined each credit grading according to its credit quality as follows:

Normal

Outstanding facility is repaid on timely manner and is not in doubt for the future repayment. Repayment is steadily made according to the contractual terms and the facility does not exhibit any potential weakness in repayment capability, business, cash flow and financial position of the counterparty.

Special Mention

A facility in this class is currently protected and may not be past due but it exhibits potential weaknesses that may adversely affect repayment of the counterparty at the future date, if not corrected in a timely manner, and close attention by the Institution.

Weaknesses include but are not limited to a declining trend in the business operations of the counterparty or in its financial position, and adverse economic and market conditions that all might affect its profitability and its future repayment capacity, or deteriorating conditions on the collateral. This class has clearly its own rational and should not be used as a compromise between Normal and Substandard.

Substandard

A facility ranked in this class exhibits noticeable weakness and is not adequately protected by the current business or financial position and repayment capacity of the counterparty. In essence, the primary source of repayment is not sufficient to service the debt, not taking into account the income from secondary sources such as the realization of the collateral.

Factors leading to a substandard classification include:

- Inability of the counterparty to meet the contractual repayments' terms,
- Unfavourable economic and market conditions that would adversely affect the business and profitability of the counterparty in the future,
- Weakened financial condition and/or inability of the counterparty to generate enough cash flow to service the payments,
- Difficulties experienced by the counterparty in repaying other facilities granted by the Institution or by other institutions when the information is available, and
- Breach of financial covenants by the counterparty.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Doubtful

A facility classified in this category exhibits more severe weaknesses than one classified Substandard such that its full collection on the basis of existing facts, conditions or collateral value is highly questionable or improbable. The prospect of loss is high, even if the exact amount remains undetermined for now.

Loss

A facility is classified Loss when it is not collectable, and little or nothing can be done to recover the outstanding amount from the counterparty.

Long-term facilities (more than one year)

Grades	DPD	Default Indicator
Normal	$0 \leq \text{DPD} < 30$	Performing
Special Mention	$30 \leq \text{DPD} < 90$	Underperforming
Substandard	$90 \leq \text{DPD} < 180$	Nonperforming
Doubtful	$180 \leq \text{DPD} < 360$	
Loss	$\text{DPD} \geq 360$	

Short-term facilities (one year or less)

Grades	DPD	Default Indicator
Normal	$0 \leq \text{DPD} \leq 14$	Performing
Special Mention	$15 \leq \text{DPD} \leq 30$	Underperforming
Substandard	$31 \leq \text{DPD} \leq 60$	Nonperforming
Doubtful	$61 \leq \text{DPD} \leq 90$	
Loss	$\text{DPD} \geq 91$	

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL

The Bank apply a three-Stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Underperforming	Nonperforming
Recognition of expected credit losses	12 months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit impaired assets
Basis of calculation of profit revenue	On gross carrying amount	On gross carrying amount	On net carrying amount

The Bank measures ECL using general approach. The general approach consists of segregating the customers into three different Stages according to the staging criteria by assessing the credit risk. 12-month ECL will be computed for Stage 1, while lifetime ECL will be computed for Stage 2 and Stage 3. At each reporting date, the Bank will assess credit risk of each account as compared to the risk level at origination date.

Stages	Credit Risk Status	Criteria DPD	Default Indicator
1	No significant increase in credit risk	$0 \leq \text{DPD} < 30$	Performing
2	Credit risk increased significantly	$30 \leq \text{DPD} < 90$ or Watchlist clients	Underperforming
3	Credit impaired assets	> 90	Nonperforming

The Bank uses day past due (DPD) information and NBC's classification for staging criteria.

As for financial assets that are short term in nature, simplified approach will be adopted where no staging criteria is required. In this case, it will be either performing (Stage1) or non-performing.

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

The following tables set out information about the credit quality of financial assets measured at amortised cost, and FVOCI debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other banks and financial institutions at amortised cost				
Normal	41,757,354	1,498,801	-	43,256,155
Special mention	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	41,757,354	1,498,801	-	43,256,155
Less: Impairment loss allowance	(322,346)	(48,207)	-	(370,553)
Carrying amounts (US\$)	41,435,008	1,450,594	-	42,885,602
Carrying amounts (KHR'000)	170,587,928	5,972,096	-	176,560,024

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other banks and financial institutions at amortised cost				
Normal	28,956,127	18	-	28,956,145
Special mention	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	28,956,127	18	-	28,956,145
Less: Impairment loss allowance	(350,789)	(4)	-	(350,793)
Carrying amounts (US\$)	28,605,338	14	-	28,605,352
Carrying amounts (KHR'000)	116,538,147	57	-	116,538,204

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	460,637,225	4,293,460	357,182	465,287,867
Special Mention	512,746	179,860	-	692,606
Substandard	2,897,802	114,694	24,727,431	27,739,927
Doubtful	61,899	-	206,554	268,453
Loss	3,377	-	5,860,313	5,863,690
	464,113,049	4,588,014	31,151,480	499,852,543
Impairment losses	(3,573,116)	(591,091)	(2,338,490)	(6,502,697)
Carrying amounts (US\$)	460,539,933	3,996,923	28,812,990	493,349,846
Carrying amounts (KHR'000)	1,896,042,904	16,455,332	118,623,080	2,031,121,316

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Normal	337,472,488	25,067,752	53,205	362,593,445
Special Mention	50,258	11,761	-	62,019
Substandard	-	-	419,948	419,948
Doubtful	-	-	178,943	178,943
Loss	-	-	256,348	256,348
	337,522,746	25,079,513	908,444	363,510,703
Impairment losses	(4,084,265)	(2,218,859)	(489,704)	(6,792,828)
Carrying amounts (US\$)	333,438,481	22,860,654	418,740	356,717,875
Carrying amounts (KHR'000)	1,358,428,372	93,134,304	1,705,947	1,453,268,623

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks and financial institutions				
Normal	17,777,199	-	-	17,777,199
Less: Impairment loss allowance	(136,461)	-	-	(136,461)
Carrying amounts (US\$)	17,640,738	-	-	17,640,738
Carrying amounts (KHR'000)	72,626,919	-	-	72,626,919

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks and financial institutions				
Normal	28,926,099	-	-	28,926,099
Less: Impairment loss allowance	(349,283)	-	-	(349,283)
Carrying amounts (US\$)	28,576,816	-	-	28,576,816
Carrying amounts (KHR'000)	116,421,948	-	-	116,421,948

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

	31 December 2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Normal	126,794,891	1,704,804	-	128,499,695
Special mention	-	-	76,507	76,507
Substandard	-	-	406	406
Doubtful	-	-	132,557	132,557
Loss	-	-	-	-
Amounts committed and guaranteed (US\$)	126,794,891	1,704,804	209,470	128,709,165
Impairment loss allowance (US\$)	(973,785)	(199,811)	(26,382)	(1,199,978)
Carrying amounts (US\$)	125,821,106	1,504,993	183,088	127,509,187
Carrying amounts (KHR'000)	518,005,493	6,196,056	753,773	524,955,323

	31 December 2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Normal	92,470,791	1,474,336	-	93,945,127
Special mention	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Amounts committed and guaranteed (US\$)	92,470,791	1,474,336	-	93,945,127
Impairment loss allowance (US\$)	(1,358,085)	(224,175)	-	(1,582,260)
Carrying amounts (US\$)	91,112,706	1,250,161	-	92,362,867
Carrying amounts (KHR'000)	371,193,164	5,093,156	-	376,286,320

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

Recognition of ECL (continued)

Incorporation of forward-looking information

The Bank incorporates forward-looking information into the measurement of ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments in accordance with each country and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Though, Covid Pandemic impact has been partly released over 2022, the uncertainty of economic outlooks remain really high for the coming years due to factors such as rising inflation worldwide or war in Ukraine. Hence, the Bank has determined a new set of economic (and loss) scenarios.

For a better understanding of the impact on impairment losses caused by the anticipated modification of the risk (forward-looking method), the impairment losses are analysed between:

- impairment corresponding to the intrinsic risk of a stable environments and
- an impairment corresponding to anticipated risk defined through the combination of economic scenarios (baseline, optimistic and adverse).

38. Financial risk management (continued)

B. Credit risk (continued)

(iv). Credit quality analysis (continued)

The following table shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Bank are generally fully collateralised by cash. For further discussion of collateral and other credit enhancements, see Note 38B(ii) and 38B(iii).

	31 December 2022		31 December 2021	
	Notional amount US\$	Fair value US\$	Notional amount US\$	Fair value US\$
Derivative assets	40,000,000	1,725,238	40,000,000	364,500
Derivative liabilities	(50,000,000)	(2,083,612)	(20,000,000)	(744,471)

	31 December 2022		31 December 2021	
	Notional amount KHR'000 (Note 5)	Fair value KHR'000 (Note 5)	Notional amount KHR'000 (Note 5)	Fair value KHR'000 (Note 5)
Derivative assets	164,680,000	7,102,805	162,960,000	1,484,973
Derivative liabilities	(205,850,000)	(8,578,231)	(81,480,000)	(3,032,975)

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL

Loss allowance

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other banks and financial institutions at amortised cost				
Balance at 1 January	350,789	4	-	350,793
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(123,163)	11	-	(123,152)
New financial assets originated or purchased	253,699	48,192	-	301,891
Financial assets that have been derecognised	(158,979)	-	-	(158,979)
Balance at 31 December (US\$)	322,346	48,207	-	370,553
Balance at 31 December (KHR'000)	1,327,098	198,468	-	1,525,566

	2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to other banks and financial institutions at amortised cost				
Balance at 1 January	436,023	-	-	436,023
- Transfer to Stage 1	-	-	-	-
- Transfer to Stage 2	-	-	-	-
- Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(253,323)	4	-	(253,319)
New financial assets originated or purchased	168,089	-	-	168,089
Financial assets that have been derecognised	-	-	-	-
Balance at 31 December (US\$)	350,789	4	-	350,793
Balance at 31 December (KHR'000)	1,429,114	16	-	1,429,131

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument. (continued)

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	4,084,265	2,218,859	489,704	6,792,828
- Transfer to Stage 1	550,872	(479,454)	(71,418)	-
- Transfer to Stage 2	(165,836)	165,836	-	-
- Transfer to Stage 3	(112,115)	(1,154,521)	1,266,636	-
Net remeasurement of loss allowance	(1,581,000)	(148,517)	592,203	(1,137,314)
New financial assets originated or purchased	1,519,261	303,322	98,179	1,920,762
Financial assets that have been derecognised	(722,331)	(314,434)	(36,814)	(1,073,579)
Balance at 31 December (US\$)	3,573,116	591,091	2,338,490	6,502,697
Balance at 31 December (KHR'000)	14,710,519	2,433,522	9,627,563	26,771,604
	2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loans and advances to customers at amortised cost				
Balance at 1 January	5,504,847	619,648	172,044	6,296,539
- Transfer to Stage 1	28,623	(14,569)	(14,054)	-
- Transfer to Stage 2	(446,351)	446,387	(36)	-
- Transfer to Stage 3	-	(57,971)	57,971	-
Net remeasurement of loss allowance	(2,165,788)	917,489	254,103	(994,196)
New financial assets originated or purchased	2,277,558	307,875	19,676	2,605,109
Financial assets that have been derecognised	(1,114,624)	-	-	(1,114,624)
Balance at 31 December (US\$)	4,084,265	2,218,859	489,704	6,792,828
Balance at 31 December (KHR'000)	16,639,296	9,039,632	1,995,054	27,673,981

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument. (continued)

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks and financial institutions				
Balance at 1 January	349,283	-	-	349,283
Financial assets that have been derecognised	(212,822)	-	-	(212,822)
Balance at 31 December (US\$)	136,461	-	-	136,461
Balance at 31 December (KHR'000)	561,810	-	-	561,810
	2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Balances with other banks and financial institutions				
Balance at 1 January	245,079	-	-	245,079
New financial assets originated or purchased	104,204	-	-	104,204
Balance at 31 December (US\$)	349,283	-	-	349,283
Balance at 31 December (KHR'000)	1,422,979	-	-	1,422,979

38. Financial risk management (continued)

B. Credit risk (continued)

(v). Amounts arising from ECL (continued)

Loss allowance (continued)

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument. (continued)

	2022			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Balance at 1 January	1,582,260	-	-	1,582,260
New financial assets originated or purchased	140,782	-	-	140,782
Financial assets that have been derecognised	(523,064)	-	-	(523,064)
Balance at 31 December (US\$)	1,199,978	-	-	1,199,978
Balance at 31 December (KHR'000)	4,940,310	-	-	4,940,310

	2021			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Total US\$
Loan commitments and financial guarantee contracts				
Balance at 1 January	1,390,683	-	-	1,390,683
New financial assets originated or purchased	191,577	-	-	191,577
Balance at 31 December (US\$)	1,582,260	-	-	1,582,260
Balance at 31 December (KHR'000)	6,446,127	-	-	6,446,127

38. Financial risk management (continued)

C. Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, foreign exchange rates and equity prices – will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i). Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing and cost of funds. The potential reduction in net interest income from an unfavourable interest rate movement is regularly monitored against the risk tolerance limits set.

38. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier.

As at 31 December 2022	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
Financial assets								
Cash on hand	22,606,828	-	-	-	-	-	-	22,606,828
Balance with the National Bank of Cambodia	103,321,927	53,947,277	-	-	-	-	-	-
Balance with other banks and financial institutions	17,640,738	12,670,343	4,970,395	3,096,345	-	-	46,278,305	-
Financial assets at FVOCI	140,000	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	42,885,602	-	1,450,573	-	-	41,435,029	-	-
Loans and advances to customers	493,349,846	16,343,963	27,340,591	22,970,533	10,871,619	52,737,713	363,085,427	-
Other assets	718,536	-	-	-	-	-	-	718,536
	680,663,477	82,961,583	33,761,559	26,066,878	10,871,619	94,172,742	409,363,732	23,465,364
Financial liabilities								
Deposits from customers	279,328,342	145,638,853	26,744,577	26,594,283	38,296,505	27,757,681	639,638	13,656,805
Deposits from other banks and financial institutions	136,098,008	20,045,313	26,057,906	35,000,000	38,200,000	8,000,000	7,000,000	1,794,789
Borrowings	169,812,012	168,187,963	-	1,457,372	-	-	-	166,677
Lease liabilities	8,593,073	155,438	496,901	630,651	198,543	4,749,625	2,361,915	-
Other liabilities	6,797,830	-	-	-	-	-	-	6,797,830
	600,629,265	334,027,567	53,299,384	63,682,306	76,695,048	40,507,306	10,001,553	22,416,101
Effect of derivative held for risk management	(358,374)	-	-	-	-	(358,374)	-	-
Interest sensitivity gap	79,675,838	(251,065,984)	(19,537,825)	(37,615,428)	(65,823,429)	53,307,062	399,362,179	1,049,263
(KHR'000 equivalents - Note 5)	328,025,425	(1,033,638,655)	(80,437,226)	(154,862,719)	(270,995,056)	219,465,174	1,644,174,090	4,319,817

38. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The table indicates the periods in which the financial instruments reprice or mature, whichever is earlier. (continued)

As at 31 December 2021	Carrying amount US\$	Up to 1 month US\$	> 1-3 months US\$	> 3-6 months US\$	> 6-12 months US\$	> 1 to 5 years US\$	Over 5 years US\$	Non-interest bearing US\$
Financial assets								
Cash on hand	21,708,930	-	-	-	-	-	-	21,708,930
Balance with the National Bank of Cambodia	77,825,171	21,302,837	6,195,493	9,648,289	5,064,368	-	35,614,184	-
Balance with other banks and financial institutions	28,576,816	28,576,816	-	-	-	-	-	-
Financial assets at FVOCI	140,000	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	28,605,352	11,708,045	-	-	3,239,923	13,657,384	-	-
Loans and advances to customers	356,717,875	10,429,535	16,938,104	23,384,941	11,688,410	38,366,593	255,910,292	-
Other assets	502,893	-	-	-	-	-	-	502,893
	514,077,037	72,017,233	23,133,597	33,033,230	19,992,701	52,023,977	291,524,476	22,351,823
Financial liabilities								
Deposits from customers	225,061,522	20,894,971	14,693,257	13,478,361	51,336,199	44,351,433	-	80,307,301
Deposits from other banks and financial institutions	111,182,884	24,236,105	27,172,808	3,759,960	35,241,561	20,772,450	-	-
Borrowings	85,916,978	73,780,848	6,197,824	983,252	4,955,054	-	-	-
Lease liabilities	7,617,795	168,821	756,103	132,591	278,602	3,250,820	3,030,858	-
Other liabilities	2,713,690	-	-	-	-	-	-	2,713,690
	432,492,869	119,080,745	48,819,992	18,354,164	91,811,416	68,374,703	3,030,858	83,020,991
Effect of derivative held for risk management	(379,971)	-	-	-	-	(379,971)	-	-
Interest sensitivity gap	81,204,197	(47,063,512)	(25,686,395)	14,679,066	(71,818,715)	(16,730,697)	288,493,618	(60,669,168)
(KHR'000 equivalents - Note 5)	330,825,899	(191,736,748)	(104,646,373)	59,802,515	(292,589,445)	(68,160,860)	1,175,323,000	(247,166,190)

38. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US\$	100 bp Decrease US\$	100 bp Increase US\$	100 bp Decrease US\$
31 December 2022				
Variable rate instruments	1,681,880	(1,681,880)	1,681,880	(1,681,880)
(KHR'000 – Note 5)	6,924,298	(6,924,298)	6,924,298	(6,924,298)

	Profit or loss		Equity	
	100 bp Increase US\$	100 bp Decrease US\$	100 bp Increase US\$	100 bp Decrease US\$
31 December 2021				
Variable rate instruments	700,000	(700,000)	700,000	(700,000)
(KHR'000 – Note 5)	2,847,600	(2,847,600)	2,847,600	(2,847,600)

38. Financial risk management (continued)

C. Market risk (continued)

(i). Interest rate risk (continued)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform").

The following table contains details of non-derivative financial instruments held by the Bank at 31 December 2022 which are subject to the IBOR reform and have not transitioned to an alternative benchmark interest rate:

	31 December		31 December	
	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)

Non-derivative financial instruments

Financial liabilities that reference to US\$ LIBOR

Borrowings	168,288,585	70,025,839	692,844,104	285,285,268
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The Bank holds derivatives for trading and risk management purposes. The Bank's derivative instruments are governed by ISDA's 2006 definitions. The following table contains details of derivative financial instruments held by the Bank at 31 December 2022 which are subject to the reform and have not transitioned to an alternative benchmark interest rate:

	31 December		31 December	
	2022 US\$	2021 US\$	2022 KHR'000 (Note 5)	2021 KHR'000 (Note 5)

Derivatives held for risk management

Derivative assets that reference to US\$ LIBOR

Interest rate swap	1,725,238	364,500	7,102,805	1,484,973
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Derivative liabilities that reference to US\$ LIBOR

Interest rate swap	(1,725,238)	(364,500)	(7,102,805)	(1,484,973)
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38. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk

Foreign currency exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Concentration of currency risk

The amounts of financial assets and liabilities, by currency denomination, are as follows:

31 December 2022	Denomination US\$ equivalents									Total
	KHR	US\$	EUR	THB	CHF	JPY	AUD	GBP	HKD	
Financial assets										
Cash on hand	3,019,435	18,410,511	1,090,939	85,943	-	-	-	-	-	22,606,828
Balance with the National Bank of Cambodia	17,628,657	85,693,270	-	-	-	-	-	-	-	103,321,927
Balance with other banks and financial institutions	21,497	7,244,654	10,307,494	67,093	-	-	-	-	-	17,640,738
Financial assets at FVOCI	-	140,000	-	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	41,647,986	1,237,616	-	-	-	-	-	-	-	42,885,602
Loans and advances to customers	12,717,198	480,632,648	-	-	-	-	-	-	-	493,349,846
Other assets	6,242	712,294	-	-	-	-	-	-	-	718,536
	75,041,015	594,070,993	11,398,433	153,036	-	-	-	-	-	680,663,477
Financial liabilities										
Deposits from customers	6,898,204	260,955,824	11,395,289	78,614	-	86	136	90	99	279,328,342
Deposits from other banks and financial institutions	16,159,789	119,938,058	-	161	-	-	-	-	-	136,098,008
Borrowings	1,523,427	168,288,585	-	-	-	-	-	-	-	169,812,012
Lease liabilities	-	8,593,073	-	-	-	-	-	-	-	8,593,073
Other liabilities	122,854	6,671,749	3,227	-	-	-	-	-	-	6,797,830
	24,704,274	564,447,289	11,398,516	78,775	-	86	136	90	99	600,629,265
Effect of derivative held for risk management	-	(358,374)	-	-	-	-	-	-	-	(358,374)
Net asset position	50,336,741	29,265,330	(83)	74,261	-	(86)	(136)	(90)	(99)	79,675,838
KHR'000 equivalents (Note 5)	207,236,363	120,485,364	(342)	305,733	-	(354)	(560)	(371)	(408)	328,025,425

38. Financial risk management (continued)

C. Market risk (continued)

(ii). Foreign currency exchange risk (continued)

Concentration of currency risk (continued)

The amounts of financial assets and liabilities, by currency denomination, are as follows (continued):

31 December 2021	Denomination US\$ equivalents								Total	
	KHR	US\$	EUR	THB	CHF	JPY	AUD	GBP		HKD
Financial assets										
Cash on hand	1,584,387	18,522,721	1,509,564	92,258	-	-	-	-	-	21,708,930
Balance with the National Bank of Cambodia	2,328,586	75,496,585	-	-	-	-	-	-	-	77,825,171
Balance with other banks and financial institutions	-	20,786,184	7,788,170	2,462	-	-	-	-	-	28,576,816
Financial assets at FVOCI	-	140,000	-	-	-	-	-	-	-	140,000
Loans and advances to other banks and financial institutions	26,664,568	1,940,784	-	-	-	-	-	-	-	28,605,352
Loans and advances to customers	12,116,513	344,600,611	751-	-	-	-	-	-	-	356,717,875
Other assets	196	502,697	-	-	-	-	-	-	-	502,893
	42,694,250	462,354,082	9,298,485	94,720	-	-	-	-	-	514,077,037
Financial liabilities										
Deposits from customers	6,511,093	210,178,289	8,351,609	20,531	-	-	-	-	-	225,061,522
Deposits from other banks and financial institutions	91,141	111,063,910	-	27,833	-	-	-	-	-	111,182,884
Borrowings	15,891,140	70,025,838	-	-	-	-	-	-	-	85,916,978
Lease liabilities	-	7,617,795	-	-	-	-	-	-	-	7,617,795
Other liabilities	1,995	2,708,258	3,437	-	-	-	-	-	-	2,713,690
	22,495,369	401,594,090	8,355,046	48,364	-	-	-	-	-	432,482,869
Effect of derivative held for risk management	-	(379,971)	-	-	-	-	-	-	-	(379,971)
Net asset position										
	20,198,881	60,015,521	943,439	46,356	-	-	-	-	-	81,204,197
KHR'000 equivalents (Note 5)	82,290,241	244,503,233	3,843,570	188,854	-	-	-	-	-	330,825,899

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38. Financial risk management (continued)

D. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets (continued)

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets. (continued)

31 December 2021	Carrying amount US\$	Gross nominal inflow/outflow US\$	Up to 1 month US\$	> 1-3 months US\$	> 3 months to 6 months US\$	> 6 months to 12 months US\$	> 1 to 5 years US\$	Over 5 years US\$
Financial liabilities by type								
Deposits from customers	225,061,522	(225,061,522)	(20,894,971)	(14,693,257)	(64,814,560)	(44,351,432)	(80,307,302)	-
Deposits from other banks and financial institutions	111,182,884	(111,182,884)	(2,008,753)	(27,172,808)	(39,001,521)	(20,772,448)	(22,227,354)	-
Borrowings	85,916,978	(85,916,978)	(73,780,848)	(6,197,824)	(5,938,306)	-	-	-
Derivatives held for risk management	744,471	(744,471)	-	-	(364,500)	(379,971)	-	-
Lease liabilities	7,617,795	(7,617,795)	(168,821)	(756,103)	(411,193)	(3,250,820)	(3,030,858)	-
Other liabilities	2,713,690	(2,713,690)	(2,713,690)	-	-	-	-	-
	433,237,340	(433,237,340)	(99,567,083)	(48,819,992)	(110,530,080)	(68,754,671)	(105,565,514)	-
KHR'000 (Note 5)	1,783,638,129	(1,783,638,129)	(409,917,681)	(200,991,907)	(455,052,339)	(283,062,981)	(434,613,221)	-
Financial assets by type								
Cash on hand	21,708,930	21,708,930	21,708,930	-	-	-	-	-
Balances with the National Bank of Cambodia	77,825,171	78,231,272	21,708,930	6,195,493	9,648,289	5,064,368	-	35,614,192
Balances with other banks and financial institutions	28,576,816	28,576,816	28,576,816	-	-	-	-	-
Financial assets at FVOCI	140,000	140,000	-	-	-	-	140,000	-
Loans and advances to other banks and financial institutions	28,605,352	30,847,096	11,952,729	-	-	3,488,507	15,405,860	-
Loans and advances to customers	356,717,875	496,064,964	10,650,302	17,417,637	24,171,401	11,854,802	45,017,688	386,953,134
Derivatives held for risk management	364,500	364,500	-	-	364,500	-	-	-
Other assets	502,893	502,893	502,893	-	-	-	-	-
	514,441,537	656,436,471	95,100,600	23,613,130	34,184,190	20,407,677	60,563,548	422,567,326
KHR'000 (Note 5)	2,117,955,808	2,702,548,951	391,529,170	97,215,256	140,736,310	84,018,406	249,340,127	1,739,709,681



38. Financial risk management (continued)

D. Liquidity risk (continued)

(ii). Maturity analysis for financial liabilities and financial assets (continued)

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial assets and liabilities	Undiscounted cash flows, which include estimated interest payments.
Derivative financial liabilities and derivative financial assets held for risk management purposes	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.
Issued financial guarantee contracts and issued loan commitments	Earliest possible contractual maturity.



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38. Financial risk management (continued)

D. Liquidity risk (continued)

(iii). Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding.

31 December 2022	Encumbered		Unencumbered			Total
	Pledged as collateral US\$	Other(*) US\$	Available as collateral US\$	Other(**) US\$	US\$	
Cash on hand	-	-	-	22,606,828	22,606,828	93,072,311
Balances with the National Bank of Cambodia	50,923,127	52,398,800	-	-	103,321,927	425,376,373
Balances with other banks and financial institutions	-	-	-	17,640,738	17,640,738	72,626,919
Financial assets at FVOCI	-	140,000	-	-	140,000	576,380
Loans and advances to other banks and financial institutions	-	-	-	42,885,602	42,885,602	176,560,024
Loans and advances to customers	-	-	-	493,349,846	493,349,846	2,031,121,316
Derivative assets held for risk management	-	-	-	1,725,238	1,725,238	7,102,805
Other assets	-	-	-	718,536	718,536	2,958,213
	50,923,127	52,538,800	-	578,926,788	682,388,715	2,809,394,341

38. Financial risk management (continued)

D. Liquidity risk (continued)

(iii). Financial assets available to support future funding

The following table sets out the availability of the Bank's financial assets to support future funding. (continued)

31 December 2021	Encumbered		Unencumbered			Total
	Pledged as collateral US\$	Other(*) US\$	Available as collateral US\$	Other(**) US\$	US\$	
Cash on hand	-	-	-	21,708,930	21,708,930	88,442,181
Balances with the National Bank of Cambodia	56,522,334	21,302,837	-	-	77,825,171	317,059,747
Balances with other banks and financial institutions	-	-	-	28,576,816	28,576,816	116,421,948
Financial assets at FVOCI	-	140,000	-	-	140,000	570,360
Loans and advances to other banks and financial institutions	-	-	-	28,605,352	28,605,352	116,538,204
Loans and advances to customers	-	-	-	356,717,875	356,717,875	1,453,268,623
Derivative assets held for risk management	-	-	-	364,500	364,500	1,484,973
Other assets	-	-	-	502,893	502,893	2,048,786
	56,522,334	21,442,837	-	436,476,366	514,441,537	2,095,834,822

(*) Represents assets that are not pledged but that the Bank believes it is restricted from using to secure funding, for legal or other reasons.

(**) Represents assets that are not restricted for use as collateral, but that the Bank would not consider readily available to secure funding in the normal course of business

38. Financial risk management (continued)

E. Operational risk

The operational risk is the risk of losses arising from inadequate or failed internal processes, people or systems or from external factors. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and oversight provided by the senior Management. This includes legal, compliance, accounting and fraud risk.

The operational risk management entails the establishment of clear organizational structures, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streaming procedures and documentation ensuring compliance with regulatory and legal requirements. These are reviewed continually to address the operational risks of its banking business.

F. Capital management

(i). Regulatory capital

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The Bank's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

38. Financial risk management (continued)

F. Capital management

(i). Regulatory capital

The below table summarises the composition of the regulatory capital:

	31 December 2022		31 December 2021	
	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
Tier 1 capital				
Share capital	110,000,000	452,870,000	110,000,000	448,140,000
Retained earnings	-	-	-	-
Audited net profit for the last financial year	1,662,043	10,977,962	878,293	5,045,312
Less: Intangible assets	(2,913,882)	(11,996,452)	(1,713,292)	(6,979,952)
Less: Loans to related parties	(2,666,245)	(10,976,931)	(1,138,627)	(4,638,766)
	<u>106,081,916</u>	<u>440,874,579</u>	<u>108,026,374</u>	<u>441,566,594</u>
Tier 2 complementary capital				
General provision	6,692,382	27,552,537	3,916,996	15,957,842
Less: Equity participation in banking or financial institutions	-	-	-	-
	<u>6,692,382</u>	<u>27,552,537</u>	<u>3,916,996</u>	<u>15,957,842</u>
	<u>112,774,298</u>	<u>468,427,116</u>	<u>97,189,781</u>	<u>457,524,436</u>

(ii). Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

39. Fair values of financial instruments

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Bank's financial instruments such as cash and short-term funds, balances with banks, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

The fair values are based on the following methodologies and assumptions:

A. Balances with other banks and financial institutions, and balances with the National Bank of Cambodia

The fair values of balances with other banks and financial institutions, and balances with the National Bank of Cambodia with maturity of less than one year approximate their carrying amounts.

B. Loans and advances to other banks and financial institutions, loans and advances to customers measured at amortised cost

For fixed rate loans, the carrying amounts are generally reasonable estimates of their fair values.

39. Fair values of financial instruments (continued)

C. Financial assets at FVOCI

For fixed rate Financial assets at FVOCI with remaining period to maturity of less than or more than one year, the carrying amounts are generally reasonable estimates of their fair values.

D. Deposits from other banks and financial institutions and deposits from customers

The fair values of deposits payable on demand (current and savings accounts), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated based on discounted cash flows using prevailing market rates for similar deposits from other banks and financial institutions and customers.

E. Other financial assets and liabilities

Fair value hierarchy

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Bank's market assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

As verifiable market prices are not available, market prices are not available for a significant proportion of the Bank's financial assets and liabilities, the fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the balance sheet are a reasonable estimation of their fair values.

40. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

A. Basis of measurement

The financial statements, except for financial instruments at FVTPL and financial assets at FVOCI, which are measured at FV, have been prepared on a historical cost basis.

B. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

C. Financial assets and financial liabilities

(i). Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, borrowings and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(ii). Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

(iii). Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iii). Derecognition (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv). Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit and loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit and loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(iv). Modifications of financial assets and financial liabilities (continued)

Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

(v). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under CIFRS, or for gains and losses arising from a group of similar transactions.

(vi). Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vi). Fair value measurement (continued)

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit and loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii). Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Financial assets at FVOCI that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

At each reporting date, the Bank assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

The Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for long term facilities or more than or equal to 15 days past due for short-term facilities. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to recover.

Inputs, assumptions and techniques used for estimating impairment

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD (for Stage 2).

As Stage 2 exposures encompass Watch List exposures, prudential PD used for credit risk own funds requirements on Watch list exposures is taken into account. The bank credit granting policy follows general principles and rules defined in accordance with BRED Group credit granting approach. One shall remind that a significant part of the credit exposures, including the biggest files, are even presented to BRED credit committee for decision making. As a consequence, watch listed items are expected to process from similar credit granting processes and display similar behavior in terms of defaulting.

As per BRED Group Watch List methodology, credit exposures ranked on credit grades 14 and higher are included in the Watch List. Such exposures bear a one-year PD at least equal to 11.73%. That grade 14 PD is therefore considered for Stage 2 consistently with BRED Group credit practices.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters by setting default value set at 20% (2021:25%) based on the average net risk calculation of the whole credit portfolio, taking into account collateral valuation as per BBC Credit Policy. For stage 3 exposures, the bank assesses individually each credit and adapt the provision to the potential recovery at assessment date, with a minimum provisioning set at minimum provisioning rate of stage 2 exposures.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more for long term facilities or 30 days for short-term facilities is considered credit-impaired even when the regulatory definition of default is different.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

40. Significant accounting policies (continued)

C. Financial assets and financial liabilities (continued)

(vii). Impairment (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

Loss allowances for ECL are presented in the statement of financial position as follows: (continued)

- *debt instruments measured at FVOCI*: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in equity.

Write-off

Loans and advances are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit and loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

D. Cash and cash equivalents

Cash and cash equivalents include of cash and bank balances, demand deposits and short-term highly liquid financial assets with original maturities of three months or less from the date of acquisition that subject to an insignificant risk of changes in its fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

E. Balances with the National Bank of Cambodia, and balances with other banks

Balances with the National Bank of Cambodia, and balances with other banks are stated at amortised cost less allowance for impairment for any uncollectable amounts.

40. Significant accounting policies (continued)

F. Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital and the customers' deposits as required by the NBC.

G. Loans and advances

Loans and advances to other banks and financial institutions and Loans and advances to customers measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using effective interest method.

H. Derivatives held for risk management

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy applicable generally to hedging relationship

On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument and hedge item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80% to 120%. For a cash flow hedge of a forecast transaction, the Bank makes an assessment of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The Bank normally designates a portion of the cash flow of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk, if the portion is separately identifiable and reliably measurable.

40. Significant accounting policies (continued)

H. Derivatives held for risk management (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in the hedging reserve is classified from OCI to profit or loss as reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and the same line item in the statement of profit or loss and OCI.

If the hedging derivative expired or sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counter party ("CCP") by both parties as a consequence of laws or regulations without changes in the terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated. If the hedged cash flows are no longer expected to occur then the Bank immediately reclassifies the amounting in the hedging reserve from OCI to profit or loss. For terminated hedging relationships, if the hedged cash flows are still expected to occur, then the amount accumulated in the hedging reserve is not classified until the hedged cash flows affect profit or loss; if the hedged cash flows are expected to affect profit or loss in multiple reporting periods, then the Bank reclassifies the amount in the hedging reserve from OCI to profit or loss on a straight-line basis.

I. Other assets

Other assets are carried at cost less impairment if any.

J. Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

40. Significant accounting policies (continued)

J. Property and equipment (continued)

(i) *Recognition and measurement (continued)*

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii). *Subsequent costs*

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii). *Depreciation*

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and cumulative period are as follows:

	Years
Furniture and fixture	5 to 10
Equipment	5 to 10
Computer equipment	5
Motor vehicles	<u>5</u>

40. Significant accounting policies (continued)

J. Property and equipment (continued)

(iii). Depreciation (continued)

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

Construction in progress is not depreciated until such times as the relevant assets are completed and put into operational use.

K. Intangible assets

Intangible assets, which comprise acquired computer software licenses and related costs, are stated at cost less accumulated amortisation and impairment loss. Acquired computer software licenses are capitalised on the basis of the cost incurred to acquire the specific software and bring it to use.

Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Intangible assets are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date which it is available to use. The estimated useful life of software for the current and comparative period is from 5 to 20 years.

Amortisation methods, useful lives and residual values are reassessed at end of the reporting period and adjusted if appropriate.

L. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration.

Leases in which the Bank is a lessee

At inception or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land and buildings, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

40. Significant accounting policies (continued)

L. Leases (continued)

Leases in which the Bank is a lessee (continued)

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The estimated useful lives for the current period are as follows:

- Building and office branches 3 – 10 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, to the lessee's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

40. Significant accounting policies (continued)

L. Leases (continued)

Leases in which the Bank is a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change, a change in future lease payments arising from a change in an index or rate, or if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the bank change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustment to reflect the terms of the lease and type of asset leased. The Bank uses incremental borrowing rate ranging from 3-4% (2021: 3-4%).

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

M. Deposits from customers and other banks and financial institutions

Deposits from customers and from other banks and financial institutions are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

N. Borrowings

Borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at amortised cost using effective interest method.

40. Significant accounting policies (continued)

O. Employee benefits

(i). Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii). Other long-term employee benefits

The Bank's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods including seniority. That benefit is discounted to determine its present value. Remeasurements are recognised in profit and loss in the period in which they arise.

(iii). Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

P. Provisions

Provisions are recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Q. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary share are recognised as a deduction from equity, net of any tax effects. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

40. Significant accounting policies (continued)

R. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRSs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. In accordance with Article 73, the Bank shall compare the provision calculated in accordance with Articles 49 to 71 and the provision calculated in accordance with Article 72.

- (i) In case that the regulatory provision calculated in accordance with Article 72 is lower than provision calculated in accordance with Articles 49 to 71, the Bank shall recognise the provision calculated in accordance with CIFRSs; and
- (ii) In case that the regulatory provision calculated in accordance with Article 72 is higher than the provision calculated in accordance with Articles 49 to 71, the entity records the provision calculated in accordance with CIFRSs and transfers the difference from retained earnings or accumulated loss account into regulatory reserve in shareholders' equity of the statement of financial position.

The regulatory reserves are not an item to be included in the calculation of the Bank's net worth.

S. Interest income and expense

(i). *Effective interest rate*

Interest income and expense are recognised in profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

40. Significant accounting policies (continued)

S. Interest income and expense (continued)

(ii). *Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii). *Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(iv). *Presentation*

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes interest on financial liabilities measured at amortised cost and lease liabilities.

40. Significant accounting policies (continued)

T. Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of CIFRS 9 and partially in the scope of CIFRS 15. If this is the case, then the Bank first applies CIFRS 9 to separate and measure the part of the contract that is in the scope of CIFRS 9 and then applies CIFRS 15 to the residual.

U. Net gains/losses from other financial instruments at fair value through profit or loss (FVTPL)

Net gains/losses from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, and foreign exchange differences.

V. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

40. Significant accounting policies (continued)

V. Impairment of non-financial assets (continued)

Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

W. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except items recognised directly in equity or in other comprehensive income.

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under CIAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and has recognised the related expenses in 'other expenses'.

(i). Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the period using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous period. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii). Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

40. Significant accounting policies (continued)

W. Income tax (continued)

(ii). *Deferred tax (continued)*

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

X. Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Y. Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

41. Change in accounting policies

- (i) The Bank has adopted Onerous Contracts – Costs of Fulfilling a Contract (Amendments to CIAS 37) from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Bank included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Bank has analysed all contracts exists as at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

- (ii) The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationship. The details of the newly adopted accounting policies are disclosed in Note 40H. The impact of the difference between whether the Bank applied hedge accounting in prior year is immaterial as there were only one swap contract.

42. New standards, amendments and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Bank's financial statements:

- Disclosure of Accounting Policies (Amendments to CIAS 1 and CIFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to CIAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CIAS 12);
- Classification of Liabilities as Current or Non-current (Amendments to CIAS 1); and
- Lease liabilities in a sale and lease back (amendments to CIFRS 16).

43. Subsequent events

On 2 February 2023, the Bank requested to the National Bank of Cambodia ("NBC") to increase the share capital from US\$110,000,000 to US\$145,000,000. On 29 March 2023, the Bank obtained approval from the NBC on the increase in share capital.

As of the date of this report, the amendment to the Memorandum and Articles of Association (M&AA) is still in process with the Ministry of Commerce.

Notes

This image shows a full page of blank, lined paper. It features approximately 20 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings on the page.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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